Thursday April 7, 2005

Weekly Energy Status Report

1. Northwest Power Pool Status (WA, OR, ID, MT, WY, UT, No. NV, BC, AB)

- Power Pool peak load (4/6): 45,461 MW
- Reserve margins were within comfortable ranges for Northwest Power Pool utilities.

2. Electricity, Petroleum and Natural Gas Prices

• Weekly Range at Mid-C:	$48.5 – 57.0 per MWh, Ave. = $52.3
• Approximate change from previous week	$ -2.1 per MWh
• "Normal" price range, before 5/00	$20-$40 per MWh
• Petroleum, West Texas Intermediate:	$57.01 per barrel (year ago: $34.98)
• Seattle gasoline price (4/6)	$2.37 per gallon (year ago $1.88)
• Natural gas, Sumas Hub:	$6.52 per million British Thermal Units (year ago $4.53)
• Approximate change from last week.	Oil: +2.77 $ per barrel; Nat. gas: -0.02 $ per MMBtu

3. California Electricity Situation

- CA ISO Alert Status
  - July 22, 2004: Third consecutive day of record electricity use.
  - A stage 1 alert, due to an unexpected heat wave, was declared on Mar. 31, 2004.
  - 20 minute outage in So. Cal. on March 8, 2004 due to operator error.
  - Most recent rotating blackouts: Tuesday, May 8, 2001

4. Energy News Headlines from around the Nation

- State gas prices hit all-time record (Seattle PI, Apr. 7)
- Oil contrarian sees bubble ready to burst (Seattle PI, Apr. 4)
- Gas prices may prod energy bill (NYT, Apr. 5)
- Drought increases need to save energy (Billings Gazette, Mar. 31)
-

5. River and Snow Pack Information (Updated: Mar 22, 2005)

- Observed Feb. stream flow at The Dalles: 93.6% of average,
- Observed Mar. precipitation above The Dalles: 107% of average,
- Snow pack as % of average, Mar. 2005: 59%.
- Forecast Jan.-July 2005 runoff at The Dalles: 70.7 MAF, 66% of normal,
- Federal hydropower generation in Mar.: 7,158 aMW, 1995-2002 average: 9,530 aMW.

6. Energy Conservation Achievement (Updated: Feb. 11, 2004)

- State Agencies: From Oct thru Dec 2003 electrical usage was 9% less and natural gas usage was 21.3% less compared to the same period in 2000.

7. Power Exchanged: (Updated: Apr. 6, 2005)

- Average flow of power during the last 30 days
  - California (exported to) 1,490 MW
  - Canada (exported to) 1,006 MW
  - Net power export: 2,496 MW

State gas prices hit all-time high

As summer nears, 'it's probably going to keep increasing'

By DAN RICHMAN, Seattle PI, Apr. 7

Washington's gas prices yesterday hit an average all-time high of $2.319 per gallon for self-serve regular unleaded, and some drivers -- faced with tabs of $30 or more for a fill-up -- were left fuming.

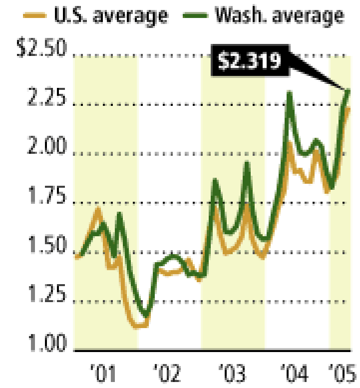
"Look at that! $2.58 for unleaded!" exclaimed Josh Dallyn, 24, as he filled his 2001 PT Cruiser at the Union 76 station at Broad and Denny. "It's crazy when the gas prices get higher than milk prices."

Yesterday's statewide average price surpassed the previous high of $2.309, set May 29. But with the current wholesale price of oil running $20 a barrel above where it was at this time last year, most analysts expect high prices to persist, and even increase, as the summer driving season approaches.

PAIN AT THE PUMP

Washington's gas prices yesterday hit an all-time high of $2.319 per gallon for self-serve regular unleaded. But when inflation is considered, that's well under the $2.89 statewide average that drivers paid after the 1980-81 oil embargo.

PRICE PER GALLON OF REGULAR UNLEADED GAS



Last year, Washington prices peaked May 29. The year before, it was a couple of weeks earlier.

"So this is pretty early in the year to have reached the peak," said Janet Ray, a spokeswoman for AAA Washington in Bellevue. "It's very probably going to keep increasing until -- sometime. I wish I could say when."

The national average price for regular unleaded self-serve gas was $2.228 yesterday. That price continues to climb since breaking its all-time record last month.

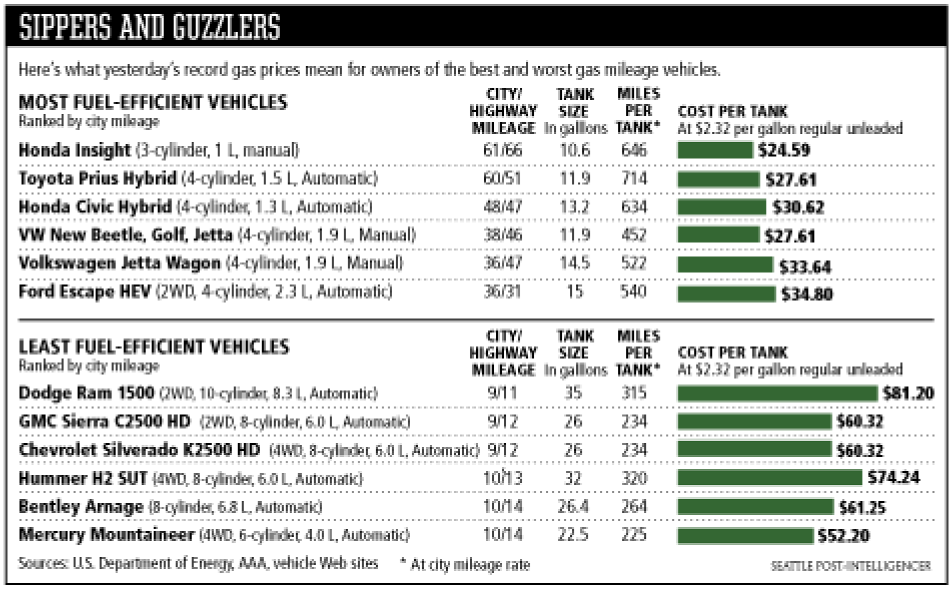
Within the state, average prices for regular unleaded self-serve gas yesterday ranged from $2.431, in the Bellingham area, down to $2.20, around Bremerton. The highest average in the state, for self-serve diesel, was $2.694 in the Richland-Kennewick-Pasco area.

Though AAA Washington, which tracks prices around the state, said these are historic highs, prices are nowhere near the all-time high when adjusted for inflation.

After the Arab oil embargo that began in 1980, the national average price of a gallon of unleaded regular reached a high of $1.35 per gallon in 1981.

That equals $2.89 per gallon in today's dollars, according to the Federal Reserve Bank of Minneapolis' inflation calculator.

It's hard to predict where the current rise in gas prices will end, Ray said, because it's unclear what causes them to change.



SIPPERS AND GUZZLERS

Here's what yesterday's record gas prices mean for owners of the best and worst gas mileage vehicles.

MOST FUEL-EFFICIENT VEHICLES (Ranked by city mileage)	CITY/ HIGHWAY MILEAGE	TANK SIZE In gallons	MILES PER TANK*	COST PER TANK At $2.32 per gallon regular unleaded
Honda Insight (3-cylinder, 1 L, manual)	61/66	10.6	646	$24.59
Toyota Prius Hybrid (4-cylinder, 1.5 L, Automatic)	60/51	11.9	714	$27.61
Honda Civic Hybrid (4-cylinder, 1.3 L, Automatic)	48/47	13.2	634	$30.62
VW New Beetle, Golf, Jetta (4-cylinder, 1.9 L, Manual)	38/46	11.9	452	$27.61
Volkswagen Jetta Wagon (4-cylinder, 1.9 L, Manual)	36/47	14.5	522	$33.64
Ford Escape HEV (2WD, 4-cylinder, 2.3 L, Automatic)	36/31	15	540	$34.80

LEAST FUEL-EFFICIENT VEHICLES (Ranked by city mileage)	CITY/ HIGHWAY MILEAGE	TANK SIZE In gallons	MILES PER TANK*	COST PER TANK At $2.32 per gallon regular unleaded
Dodge Ram 1500 (2WD, 10-cylinder, 8.3 L, Automatic)	9/11	35	315	$81.20
GMC Sierra C2500 HD (2WD, 8-cylinder, 6.0 L, Automatic)	9/12	26	234	$60.32
Chevrolet Silverado K2500 HD (4WD, 8-cylinder, 6.0 L, Automatic)	9/12	26	234	$60.32
Hummer H2 SUT (4WD, 8-cylinder, 6.0 L, Automatic)	10/13	32	320	$74.24
Bentley Arnage (8-cylinder, 6.8 L, Automatic)	10/14	26.4	264	$61.25
Mercury Mountaineer (4WD, 6-cylinder, 4.0 L, Automatic)	10/14	22.5	225	$52.20

Sources: U.S. Department of Energy, AAA, vehicle Web sites * At city mileage rate

SEATTLE POST-INTELLIGENCER

Until about three years ago, prices tended to increase during the summer, as demand increased because more people were using their cars for pleasure driving.

But in the past three years, "all of a sudden we're seeing much less precise patterns," with prices rising in the spring, falling in the summer and climbing again in the autumn, she said.

One influence on pricing is that the oil refineries must slow production in the springtime to begin blending seasonal additives into gasoline, so it burns more cleanly in the warmer weather. That can cause glitches in the supply, Ray said.

Volatility in the oil futures market may also affect pricing, she said. Concerns about rising gasoline demand sent oil prices higher yesterday in the world markets, overshadowing U.S. government data that showed increases in the nation's crude supply and refining activity.

Light, sweet crude for May delivery climbed 37 cents to $56.41 a barrel in afternoon trade on the New York Mercantile Exchange.

"Gasoline is a market-driven commodity," said AAA's Ray, "and there are so many pieces in the market that it's just not possible to come up with an easy answer."

But Queen Anne resident Maura Murphy, filling her 1999 Toyota RAV4 at the Shell station at Denny and Queen Anne Avenue, took a stab at it anyway.

"You know the money is going into pockets that aren't mine and aren't yours. It's always been that way. If the extra money was targeted toward all the cuts that happened for disabled and handicapped people, I'd pay twice that much."

It isn't.

Of every dollar paid for gas in Washington, 18.4 cents goes toward federal tax and 28 cents toward state tax.

Of the remainder, roughly 43 cents goes toward buying crude oil, 13 cents goes to distribution and marketing costs and profits, and 13 cents goes to refining costs and profits, according to the U.S. Department of Energy. In addition, service stations may mark up the price.

Those figures don't add up to $1 because taxes typically account for only 31 cents of every gas dollar, but Washington's taxes are higher than that.

Though gas is expensive and the reasons for that are unclear, there's no evidence the price increases reflect some kind of market manipulation.

West Coast prices are consistently higher than those elsewhere in the continental United States. And last year, the state Attorney General's Office, which regularly monitors gasoline pricing, initiated a study to determine whether price increases indicate possible anti-competitive behavior or reflect normal market forces.

It concluded that the then-current high prices "appear to be a reflection of a tight supply/demand balance."

Oil contrarian sees bubble ready to burst

By BRAD FOSS, Seattle PI April 4

Most energy analysts on Wall Street expect oil prices to remain high for the foreseeable future because of strong demand and limited supply.

Then there is Tim Evans, a contrarian who says today's crude oil prices above $50 a barrel reflect nothing more than a market bubble fed by speculation and unwarranted fear. Evans, a senior analyst at IFR Energy Services in New York, believes oil prices could plummet to $28 a barrel as early as this summer.

"I guess that makes me the lunatic fringe," Evans said, followed up by a burst of laughter.

Evans' basic message is that the world's oil supply is sufficient to meet demand, that motorists will soon show that they're not willing to pay any price for gasoline and that the market is unreasonably receptive to worst-case-scenario thinking.

The 45-year-old analyst, who earned his bachelor's degree in mineral economics from Pennsylvania State University, has led energy research at IFR, a division of Thomson Financial, for the past 10 years, following stints as a copper trader and an analyst at a mining concern. Evans writes a twice-daily technical analysis of the petroleum markets that costs $395 a month and is read by institutional investors, major oil companies, fuel distributors, traders and journalists.

Oil prices began rising above historical norms a few months before the U.S. invaded Iraq and have maintained their upward momentum since then due to rising demand, a shrinking supply cushion and market worries about everything from a hurricane in the Gulf of Mexico to pipeline sabotage in Iraq. The declining value of the dollar and increased hedge fund activity on futures markets have magnified the runup.

Rapid economic growth has largely masked the negative impact of high oil prices in the U.S., analysts say, though the airline industry has been stung, as have low-income families and those living on fixed incomes. Gasoline demand is about 2 percent higher than a year ago in spite of pump prices averaging $2.15 a gallon.

Veteran oil market analyst Peter Beutel of Cameron Hanover Inc. said Evans' outlook is not as crazy as his willingness to publicly stick out his neck.

"I don't disagree oil prices are going to drop precipitously at some point," Beutel said. "But, boy oh boy, they tell analysts to pick a time or pick a price, but don't do both. I certainly honor his bravery."

When pressed to do just that, Beutel said he could envision $28 a barrel, too - in 2008.

Most oil analysts have steadily raised their oil price forecasts over the past two years, keeping themselves in sync with the market's upward momentum.

They back up their upward revisions with data pointing to a limited global supply cushion at a time of rising demand, particularly in the United States and China. They also cite the declining value of the dollar and they voice fears about possible supply disruptions all around the world: from labor strife in Nigeria to refinery snags in America.

Goldman Sachs analyst Arjun Murti last week raised his forecast for 2005 from $41 a barrel to $50 a barrel. The report said the market may be in the early stage of a "super spike" that sends prices as high as $105 a barrel - the price Goldman Sachs said may be necessary to significantly curb energy consumption.

The report has contributed to a recent rise in crude futures on the New York Mercantile Exchange, where oil for May delivery settled Monday at $57.01 a barrel. Nymex futures closed at a record $57.27 a barrel on Friday.

Evans scoffed at the Goldman Sachs report, saying "the probability of reaching that price level is so small it's, like, laughable."

"Yes, $105 could happen. Texas could slide into the Gulf of Mexico. There could be a nuclear war with Iran. But you know that in a scenario like that I somehow don't think the world economy is going to be screaming for more oil."

Evans is not the only contrarian - there are still a handful of analysts forecasting prices below $40 a barrel in the second half of the year - but he may be the most blunt voice of opposition to the bullish market consensus. He sums up the group-think this way: "Greed makes you stupid."

Some of Evans' main arguments are as follows:

- There is no worrisome lack of supply. With 1.8 million barrels a day of excess production capacity, Saudi Arabia can quickly pump enough oil to offset any disruptions, short of the most catastrophic scenarios.

"Oil prices have been rising for the last 18 months on hypothetical supply disruptions," Evans said. "Every time we come up with a new 'what if?', the oil price manages to go $5 higher."

- Higher prices will eventually cause gasoline demand, which is now about 2 percent higher than a year ago, to taper off. And higher prices will lead producers, including Saudi Arabia, to pump more oil.

- The U.S. Strategic Petroleum Reserve, which the Bush administration has been filling at an average rate of nearly 250,000 barrels a day, is nearly full. By August, the market should have that much more supply of light, sweet crude available to it.

All of these factors have been ignored, Evans said, by the growing number of hedge funds and other speculators betting on crude futures, proving only that there is demand at any price for "paper barrels."

When asked why the market would ignore what he considers to be an adequate supply situation and instead focus on everything that could wrong to disrupt it, Evans answered with a question.

"Why did people chase Internet stocks in the late 1990s, and why did they shift from looking at earnings to looking at revenues and from looking at revenues to looking at the number of hits on a Web site as a method of valuation?"

Barton: Gas Prices May Prod Energy Bill

NYT: April 5, 2005

On a day when oil prices breached a record high, a prominent House Republican said that steep gasoline costs will prod Congress to pass an energy bill this year and warned of a possible ``horrible summer'' because of power blackouts.

Rep. Joe Barton, R-Texas, chairman of the House Energy and Commerce Committee, said Monday that high prices -- now topping $2.20 across much of the nation -- will build support for the contentious energy bill after two failed attempts.

Barton and other politicians, along with energy officials, gathered Monday at an energy industry conference at Southern Methodist University.

Legislation to provide tax breaks to energy producers has stalled twice, partly due to environmental opposition. Last month, however, the Senate voted 51-49 in favor of drilling in the Arctic National Wildlife Refuge, renewing hopes for Barton and other backers of the energy legislation.

Barton warned that years of inaction have left the nation's electrical grid unable to cope with growing demand, raising the possibility of blackouts this summer.

``We could have a horrible summer this year,'' he said. ``They haven't built any new power plants in California.''

The consensus among the presenters was that technology, more drilling in Alaska, and liquefied natural gas would help meet growing energy demand for fuel.

But none of the officials promised that their ideas would offer quick relief from $2-per-gallon gasoline.

An Energy Department official noted that his agency would have to raise last month's forecast that gasoline prices would average around $2.15 per gallon by early summer. The agency said Monday that pump prices jumped 6 cents last month, to about $2.22 per gallon for regular unleaded, and the peak summer driving season hasn't even begun.

A barrel of light, sweet crude for May delivery touched $58.28 in intraday trading Monday on the New York Mercantile Exchange, before late profit taking sent prices back to a settlement of $57.01 per barrel.

Mazen I. Snobar, chief executive of Aramco Services Co., a subsidiary of the Saudi national oil company, said his company is expanding production capacity, but he offered no figures.

Officials from Saudi Arabia and Kuwait said two weeks ago that their countries would increase production by April, but the statements have done little to slow the rise in oil prices, which briefly topped a record $58 per barrel Monday.

Saudi Arabia and other Middle Eastern nations in the Organization of Petroleum Countries produce about one-fourth of the world's oil.

Snobar said technology and greater cooperation between oil-producing and oil-consuming countries will improve the balance of supply and demand.

``We are all aware that energy is no longer optional nor cheap," he said. ``The United States cannot realistically expect to be energy-independent."

Sheikh Ali Bin Jassim al-Thani, a diplomat from the Persian Gulf nation of Qatar, said liquefied natural gas from his country would account for 40 percent of U.S. imports of the fuel by 2010.

He said natural gas would sell for under $4 per million cubic feet in five years -- a prediction that alarmed some domestic gas producers, who are benefiting from prices that are about twice that level.

Despite the finite supply, oil and gas will be the world's major sources of energy ``for a long time to come," Sen. Kay Bailey Hutchison, R-Texas, told the gathering.

Snobar, the Aramco Services official, agreed. When asked whether his company was considering diversifying into other fuels, he had a ready and simple reply: ``No."

Drought increases need to save energy, officials say

Billings Gazette, Mar. 31, AP

Without robust efforts by consumers to conserve electricity in coming months, utilities throughout the Northwest could see an across-the-board rate increase because of drought, energy officials say.

"If we don't change anything, we are heading toward a rate increase. What we're talking about is trying to change our destiny," said Bonneville Power Administrator Steve Wright, who was joined by nine other energy officials from various utilities in urging conservation.

Dry weather affects power generation in the Northwest - Washington, Oregon, Idaho and parts of Montana - more than other areas because the region is highly dependent on the energy produced by its dams.

Roughly 60 percent of the energy produced in the region is hydroelectric, compared to 15 percent nationally, said Wright.

"We are a region that is highly reliant on hydroelectricity," said Wright. "And so, on the weather."

Water levels are now at 63 percent of normal, making this one of the worst years on record. The unseasonably warm winter has been compounded by the fact that the last six years have been dry, too.

"This six-year period will set a record for lowest precipitation," he said. "And that includes the Dust Bowl years of the 1930s."

Unlike in 2001, the current energy crunch will not lead to blackouts, officials said. Instead, its impact stands to be financial.

"We have enough power to keep the lights on this summer," said Kevin Lynch, vice president of PacifiCorp. "The question is, at what cost?"

Jim Piro, Portland General Electric's chief financial officer, said PGE is bracing for a $50 million loss due to drought, a cost he said the company will pass on to shareholders. But if the drought continues and consumers do not cut back on usage, Piro said, a rate increase is likely.

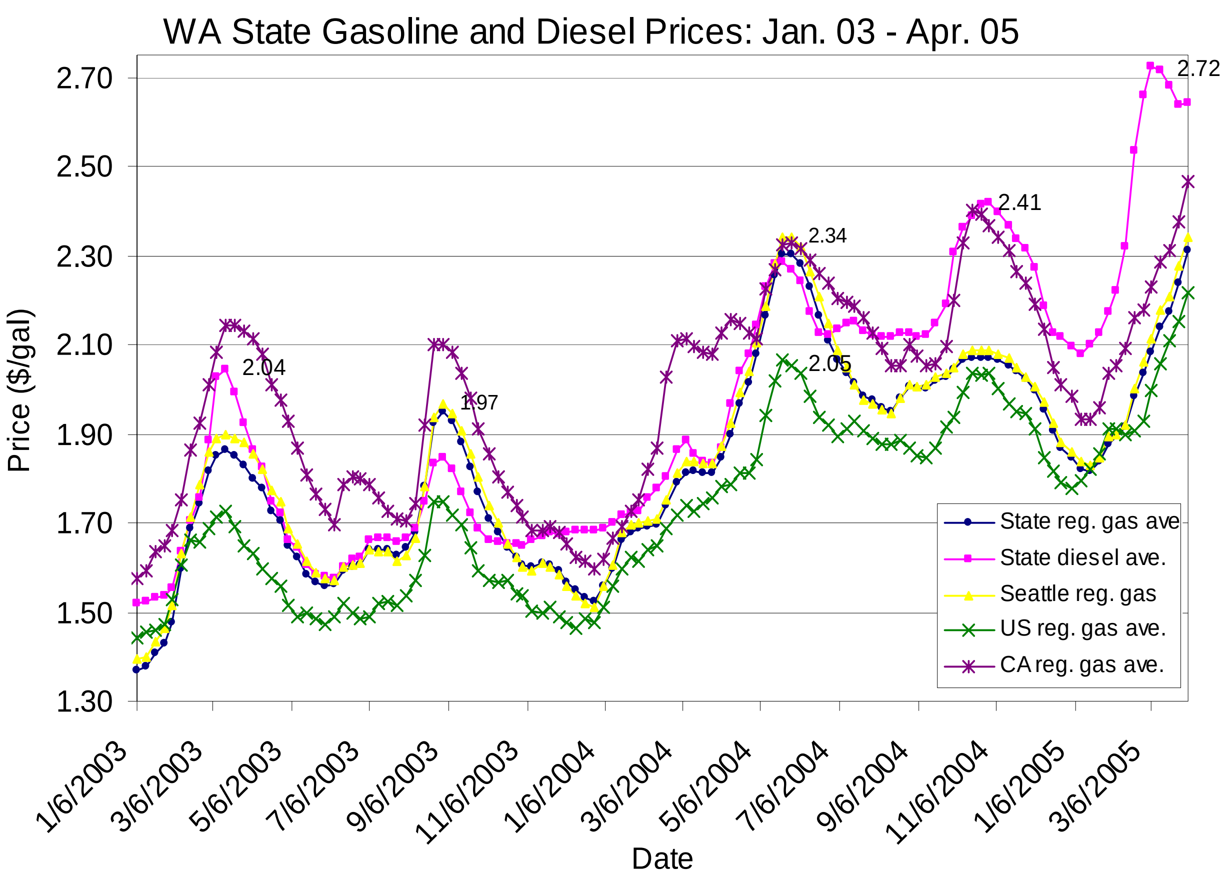
In most years, the BPA sells its surplus power to energy-strapped states. This year, it expects to have to buy power. And with drought still affecting most of the West, the price it pays is expected to be steep.

"This will have to show up in rates somewhere," said Wright. "We can't do anything about the weather, but we can do something about our energy use and in so doing keep our electricity bills lower than they would otherwise be."

Officials said customers can conserve energy by cutting back on their use of appliances, turning on lights only when necessary, switching off idling computers, replacing halogen floor lamps with compact fluorescent lights, adding insulation to attics and fixing leaks in air ducts.

State Energy Price Summary

Crude oil prices continued to trade at near record highs of $55-58/barrel, which is tending to help keep natural gas prices high as well. High natural gas prices and the threat of drought are putting upward pressure on electricity futures markets. Gasoline prices have been increasing rapidly, rising by 7 cents/gallon over the past week, reaching an all-time record of $2.31/gal. Diesel prices, after decreasing from their record levels of 3 weeks ago, have begun to nudge upward again. Jet fuel and propane prices also remain high. Most analysts expect these high fuel and energy prices to have an impact on future consumer and business expenditures, with many forecasting lower global and US economic growth rates.



Wednesday April 13, 2005

Weekly Energy Status Report

1. Northwest Power Pool Status (WA, OR, ID, MT, WY, UT, No. NV, BC, AB)

- Power Pool peak load (4/12): 44,433 MW
- Reserve margins were within comfortable ranges for Northwest Power Pool utilities.

2. Electricity, Petroleum and Natural Gas Prices

- Weekly Range at Mid-C: $49.5 – 57.0 per MWh, Ave. = $55.0
- Approximate change from previous week $ +2.7 per MWh
- "Normal" price range, before 5/00 $20-$40 per MWh
- Petroleum, West Texas Intermediate: $53.72 per barrel (year ago: $34.98)
- Seattle gasoline price (4/13) $2.477 per gallon (year ago $1.88)
- Natural gas, Sumas Hub: $6.63 per million British Thermal Units (year ago $4.53)
- Approximate change from last week. Oil: -3.29 $ per barrel; Nat. gas: +0.11 $ per MMBtu

3. California Electricity Situation

- CA ISO Alert Status
  - July 22, 2004: Third consecutive day of record electricity use.
  - A stage 1 alert, due to an unexpected heat wave, was declared on Mar. 31, 2004.
  - 20 minute outage in So. Cal. on March 8, 2004 due to operator error.
  - Most recent rotating blackouts: Tuesday, May 8, 2001

4. Energy News Headlines from around the Nation

- Alternate fuel backers celebrate biodiesel plant (Seattle Times, Apr. 11)
- Canada deal stirs debate on emissions (Seattle Times, Apr. 11)
- Nuclear plants at risk of attack (Seattle PI, Apr. 7)
- House panel resumes writing energy bill (NYT, Apr. 12)
- Alaska native corporation a lead player for oil on wildlife refuge (Seattle Times, Apr 11)

5. River and Snow Pack Information (Updated: Mar 22, 2005)

- Observed Feb. stream flow at The Dalles: 93.6% of average,
- Observed Mar. precipitation above The Dalles: 107% of average,
- Snow pack as % of average, Mar. 2005: 59%.
- Forecast Jan.-July 2005 runoff at The Dalles: 70.7 MAF, 66% of normal,
- Federal hydropower generation in Mar.: 7,158 aMW, 1995-2002 average: 9,530 aMW.

6. Energy Conservation Achievement (Updated: Feb. 11, 2004)

- State Agencies: From Oct thru Dec 2003 electrical usage was 9% less and natural gas usage was 21.3% less compared to the same period in 2000.

7. Power Exchanged: (Updated: Apr. 13, 2005)

- Average flow of power during the last 30 days
  - California (exported to) 1,387 MW
  - Canada (exported to) 925 MW
  - Net power export: 2,312 MW

Alternative-fuel backers celebrate biodiesel plant

By Sherry Grindeland, Seattle Times Apr. 11

John Plaza bypasses the gas station these days.

When his pickup's gas gauge nears empty, he pumps biodiesel — made in his own plant — into his tank.

Plaza expects to fill up hundreds of other vehicles when his processing plant, Seattle Biodiesel, officially opens sometime this spring. It will be the first wholesale biodiesel plant in King County.

Plaza yesterday proudly showed off the plant to nearly two dozen alternative-fuel advocates, including U.S. Sen. Maria Cantwell.

Cantwell, D-Wash., plans to introduce the 20/20 Biofuels Challenge legislation, calling for the United States to increase production of biofuels to 20 billion gallons by the year 2020.

"I think that goal is achievable," she said. "Americans, particularly here on the West Coast, are paying too much at the gas pump for fossil fuel."

Biodiesel fuel is made from animal or vegetable fats, or waste oils from cooking. The most common source is soybean, but Plaza imports canola and soy oils from Iowa.

At about $3.67 a gallon, biodiesel is more expensive than gasoline or petroleum-based diesel, but is preferred by environmentalists because it smells better and pollutes less. Because it is biodegradable, spills aren't a problem.

The big advantage, Cantwell said, is that the plants to make the fuel can be grown in the United States.

Dan Freeman said he already has nearly 1,000 retail customers who purchase biodiesel from his Dr. Dan Fuelworks in Ballard. He said more manufacturers need to embrace biodiesel.

Although it is slowly changing, some automobile manufacturers void warranties if operators run on 100 percent biodiesel instead of a mix of traditional petroleum-extract diesel.

Freeman purchases most of his biodiesel from producers outside the state.

Describing the process to make biodiesel, Adrian Higginbothem, a farmer from Eastern Washington, said the first thing needed is a crusher to extract oil from canola and mustard plants.

Farmers in the state already plant those as part of their crop rotation even though there isn't a strong market for either, he added. A small crushing plant would cost about $1 million.

When Cantwell asked how to get investors to help, venture capitalist and Seattle Biodiesel partner Martin Tobias said, "Take the taxes off biofuels."

He later said the developing biofuel businesses had the potential to grow like Microsoft or Boeing.

Afterward, Cantwell said she was pleased with what she had heard from the group.

"Washington is taking a leadership role in biofuels," she said. "I'm impressed with how much the state is doing. We're taking a leadership role."

Canada deal stirs state debate on emissions

By Warren Cornwall *Seattle Times, Apr. 11*

As automakers fight an effort by lawmakers in Olympia to cut greenhouse-gas emissions from cars, the industry last week signed a pact with the Canadian government to reduce those same gases.

The deal has become a factor in the debate in Washington's Legislature, where the Senate is expected to take a decisive vote this week on a bill forcing the auto industry to sell cleaner, more fuel-efficient cars.

Proponents of the legislation say the Canadian agreement debunks industry claims that the Washington legislation would be too burdensome and would rely on unproven technology. They hope it could sway senators in what is shaping up to be a close vote.

"It says to me, and I think the entire community, that when the automakers want to get serious about reducing the output of carbon dioxide they can do it," said Sen. Phil Rockefeller, a Bainbridge Island Democrat who is lead sponsor of the bill in the Senate.

But organizations representing auto dealers and manufacturers counter that the two deals aren't comparable. The Canadian agreement is less far-reaching than the Washington legislation, modeled on California regulations, and it tackles the issue nationwide, rather than state by state.

"The situation in California and Canada is totally dissimilar. In California you have one state trying to undermine federal law," said Eron Shosteck, spokesman for the Alliance of Automobile Manufacturers.

In Canada, automakers agreed to reduce greenhouse-gas emissions from cars and light trucks by 5.3 million metric tons in 2010, compared with the 90.5 million tons expected that year without the deal.

Achieving that goal will require automakers to produce more fuel-efficient cars that emit fewer gases such as carbon dioxide, which is linked to climate change.

Some have predicted it will take a 20 percent to 25 percent improvement in average gas mileage for new cars to meet the new requirements. But Tony Taylor, director of transportation energy use for Canada's Office of Energy Efficiency, said it won't be that steep, because the average Canadian car already beats government efficiency requirements.

The Washington bill, modeled on California regulations, would require bigger cuts in greenhouse-gas emissions — an average 30 percent reduction for new cars sold in 2016 compared with cars sold in 2002.

Nuclear plants at risk of attack

Scientists say all fuel storage sites need security evaluations

By H. JOSEF HEBERT, Seattle PI, Apr. 7

WASHINGTON -- Fuel storage pools at nuclear power plants in 31 states may be vulnerable to terrorist attacks that could unleash raging fires and deadly radiation, scientists advised the government yesterday.

The group of nuclear experts said neither the government nor the nuclear industry "adequately understands the vulnerabilities and consequences of such an event." They recommended undertaking a plant-by-plant examination of fuel storage security as soon as possible.

In the meantime, plant operators promptly should reconfigure used fuel rods in the storage pools to lower decay-heat intensity and install spray devices to reduce the risk of a fire should a storage facility be attacked, the scientists said.

Congress sought the study by a National Academy of Science panel because of heightened concerns that terrorists might seek to target nuclear power plants. The release yesterday of a declassified version of the report followed months of debate with the Nuclear Regulatory Commission over how much of the findings should remain secret, and therefore, unavailable to potential terrorists.

At 68 plants, including some already shut down, in 31 states, thousands of used reactor fuel rods are in deep water pools. Dry, concrete casks hold a smaller number of these rods.

Much more highly radioactive fuel is stored in pools than is in the more protected reactors -- 103 in total -- at these sites.

Washington state's only power-producing nuclear reactor, the Columbia Generating Station near Richland, has 456 tons of used fuel stored in a water-filled pool.

Some scientists and nuclear watchdog groups long have contended that these pools pose a much greater danger to a catastrophic attack than do the reactors themselves.

Some plants where pools are all or partially underground present less of a problem. Others, including a series of boiling-water reactors where pools are more exposed, represent greater concern, said Bob Alvarez, a former Energy Department official who has argued for increased protection of used reactor fuel at nuclear plants.

The experts' report "pretty well legitimizes what we've been saying," Alvarez said in an interview.

The scientific panel said reinforced concrete storage pools -- 25-feet to 45-feet deep, with water circulating to keep the fuel assemblies from overheating -- could tempt terrorists.

The report said an aircraft or high explosive attack could cause water to drain from the pools and expose the fuel rods, unleashing an uncontrollable fire and large amounts of radiation.

Gary Miller, spokesman for Energy Northwest, which runs the Richland plant, said the engineering and the construction of the plant's pool "is quite robust." The pool is built from concrete that's many feet thick and interlaced with "wrist-sized rebar."

"The design basis for it is such that it could withstand any reasonable physical attack," Miller said.

Nuclear regulators said they would give the report's recommendations "serious consideration." But the NRC has disputed many findings and suggestions from the experts.

After the classified document was provided to members of Congress last month, the NRC's chairman told lawmakers in a letter that some of the panel's assessments about plants' vulnerabilities were "unreasonable" and that certain conclusions "lacked sound technical basis."

"Today, spent fuel is better protected than ever," Nils Diaz wrote.

The NRC said it believes the potential for large releases of radiation from such a fire "to be extremely low." Still, the agency has advised reactor operations to consider refiguring the pools' fuel rods -- pairing new ones with older ones to reduce the heat.

Nuclear safety advocates said the report recognizes, for the first time, the vulnerability of spent fuel.

David Lochbaum, a nuclear industry watchdog for the Union of Concerned Scientists, said the study makes clear that regulators have not acted aggressively enough.

"Three years after 9/11, our hope would have been more of that homework had been done," Lochbaum said.

Columbia Generating Station's radioactive material is periodically moved into massive casks that weigh as much as a Boeing 767 when filled. The next planned transfer of fuel from the pool to the casks is 2008. Fifteen casks have been filled since the plant began operating 21 years ago

House Panel Resumes Writing Energy Bill

By REUTERS NYT: April 12, 2005

With U.S. gasoline prices at a record high for the fourth week in a row, a House committee is set to resume debating on Tuesday a broad energy bill that aims to boost long-term petroleum supplies.

The chairman of the House Energy and Commerce Committee, Rep. Joe Barton of Texas, said he hopes to wrap up work on the bill and send it the House floor for a final vote next week.

``We're not leaving any energy source off the table,'' Barton told C-SPAN Television. ``If it will create energy, we are looking at it.''

However, Democrats are unhappy with many parts of the bill and will try to modify it at the committee level.

In particular, Democrats want to strip language from the bill that would give the Federal Energy Regulatory Commission sole authority to approve sites for new liquefied natural gas (LNG) import terminals.

States argue they should be able to block LNG projects that could present a risk to local citizens, but FERC says it should have authority to approve LNG facilities that are needed to meet U.S. natural gas demand. Two LNG proposed projects in Rhode Island and Massachusetts are opposed by local citizens' groups and state politicians.

REINING IN GAS-GUZZLERS?

Democrats are also expected to try to add a provision to the energy bill that would require higher fuel efficiency standards for new U.S. cars, trucks and gas-guzzling sport utility vehicles. The average fuel economy of American vehicles has steadily dropped since 1988, and was 20.8 miles per gallon for all 2003 model vehicles.

With gasoline use accounting for 40 percent of U.S. oil demand, many Democrats and environmental groups see more efficient vehicles as the only significant way to cut U.S. dependence on oil imports.

Democrats will also try to eliminate a provision in the bill that shields major oil companies such as ConocoPhillips and Exxon Mobil Corp. which make the gasoline additive MTBE from water pollution lawsuits.

House Majority Leader Tom DeLay of Texas has insisted that the MTBE liability waiver be part of energy legislation, even though the Senate soundly rejected an energy bill last year due largely to the MTBE protection. The MTBE makers face an estimated $29 billion in cleanup costs for the pollution.

ANWR DRILLING, TAX BREAKS

Two other House committees will vote on other portions of the energy bill later this week which will be folded into much broader legislation on the House floor.

The House Resources Committee is scheduled to vote on Wednesday on allowing oil companies to drill in Alaska's Arctic National Wildlife Refuge.

Separately, the House Ways and Means Committee will also vote Wednesday on several billion dollars in tax breaks and financial incentives to boost U.S. energy infrastructure and encourage the use of certain energy technologies.

Rep. Bill Thomas, who chairs the Ways and Means panel, told reporters last week that the value of the tax breaks is more than the $6.7 billion limit requested by the White House and less than the $23 billion included in last year's energy bill.

Any energy package passed by the House will have to be reconciled with the Senate's version, which has yet to be written.

Alaska Native corporation a lead player for oil on wildlife refuge

By Hal Bernton Seattle Times, Apr. 11

Along a flat expanse of tundra, a wooden post marks the spot where a drill rig bit more than three miles into the sandstone rock beneath the Arctic National Wildlife Refuge's coastal plain.

This is the only well ever drilled inside an area once ranked by many geologists as the best oil prospect in North America. It was sunk on an island of private land within the federal refuge, and the results remain secret.

The owner of the land is an Inupiat Eskimo corporation that could emerge as one of the big winners if Congress agrees to open ANWR to drilling, a move environmentalists have long opposed. The fight may have reached a tipping point last month when the Republican-dominated Senate, in a 51-49 vote, gave approval for oil exploration in the refuge, with final congressional action expected later this year.

The Inupiat corporation is called Arctic Slope Regional Corp., and it owns 92,160 subsurface acres. Its executives impatiently await the congressional action needed to extract oil from inside the refuge.

"We are asked to suffer the burdens of locking our lands forever as if we were in a zoo or on display for the rich tourists that can afford to travel to our remote part of Alaska. This is not acceptable," Jacob Adams, an Inupiat whaling captain and president of Arctic Slope Regional Corp., wrote in a March 9 letter to Rep. Don Young, R-Alaska.

Arctic Slope was born from the landmark 1971 Alaska Native Claims Settlement Act. The act resolved aboriginal claims by transferring nearly $1 billion and 44 million acres of Alaska to Eskimo, Indian and Aleut corporations. Arctic Slope claimed some 5 million acres on behalf of 9,000 Inupiat shareholders, most of them living in Barrow and seven other North Slope communities.

Even as revenue from oil pumped from Prudhoe Bay has reshaped these communities, many Inupiat continue to hunt caribou, bowhead whale and other animals as part of a subsistence tradition that remains central to their culture. The billions of oil tax dollars collected by the state and the region's government have financed new homes, schools and even an indoor swimming pool in Barrow. The annual median family income there hit $63,810 in the 2000 census.

Along the way, Arctic Slope has landed major construction projects and serviced the oil industry. The corporation works nationally and internationally through a network of subsidiaries that now grosses more than $1 billion annually.

Drilling in ANWR offers a chance for Arctic Slope to get a lot bigger. A major oil find on its corporate land could yield billions of dollars in oil-industry royalty payments.

Arctic Slope's unique position within the refuge is sometimes overlooked in the marathon political battle over the fate of a wildlife-rich area that is something of hallowed ground for environmentalists.

To help ease environmental concerns, a bill now pending in the House of Representatives would restrict oil drilling and development inside ANWR to no more than 2,000 acres. A committee vote on that bill could happen this week.

But Arctic Slope would not be bound by the 2,000-acre restriction, since it holds private land rights, according to House congressional aides who have tracked the legislation.

Arctic Slope's first and only exploratory well, punched in 1986 by oil-industry partners, might have struck oil or been a dry hole. That knowledge is closely guarded and known only to a few oil-industry and Arctic Slope officials, and state officials who successfully sued to gain access to the drilling data. Even if that well was a bust, there are plenty of other places to drill within the corporation's ANWR holdings, which represent 6 percent of the 1.5 million-acre coastal plain.

The corporation has been in the thick of the lobbying effort to get Congress to approve drilling. Its leaders are familiar figures in Washington and formidable advocates, who have worked closely with the Alaska congressional delegation and the state government to press for the opening of the refuge.

That advocacy is undiminished even as the pace of oil development outside the refuge triggers unease among some Inupiat shareholders.

Arctic Slope leaders say that oil development will not destroy hunting, fishing and berry-gathering traditions on the coastal plain or anywhere else on the North Slope. Without new oil production, they say, money and job opportunities will fade along with Prudhoe Bay's declining oil flow.

"Without ANWR, we're hurting," said Richard Glenn, an Arctic Slope vice president. "Let's live with oil exploration in our region; it's the only chance at a local economy."

Controversial swap

The Inupiat Eskimo leaders gained access to the refuge through a controversial land trade that reflected their frustrations with the initial terms of the Alaska land-claims settlement.

Under the act, the corporation was allowed to choose 5 million acres of its shareholders' North Slope homeland. But the best oil field — Prudhoe Bay — already was staked out by the state, and the best prospect — the coastal plain — was initially off-limits because of its protected location within the 19 million-acre Arctic National Wildlife Refuge.

By 1983, a deal was struck. Arctic Slope swapped 101,000 acres within the Gates of the Arctic National Park for the 92,160 subsurface acres inside the coveted coastal plain. A separate Inupiat village corporation took title to the surface acreage.

Arctic Slope carefully selected the acreage that extends into two large sandstone structures around the Inupiat village of Kaktovik, which sits at the northeast edge of the coastal plain. Some of this acreage was chosen after a review of seismic test data, and included what was then considered to be among the best oil prospects.

Though U.S. Geological Survey scientists now believe some of the hottest prospects are farther west, they still say the Arctic Slope acreage has substantial oil potential. And Arctic Slope leased the land to ChevronTexaco and BP, which drilled the first exploratory well and retain the rights to develop any major finds.

The Arctic Slope trade to acquire this acreage drew plenty of criticism.

Environmentalists were upset that the government had ceded part of the coastal acreage to a corporation.

The Government Accountability Office, the investigative arm of Congress, concluded that the trade was not in the best interests of the federal government, in part due to the Interior Department's inability to access the secret drilling data that could help determine the worth of future federal land leases. Arctic Slope rejected that conclusion.

Native leaders outside the North Slope also protested the deal because it allowed Arctic Slope to sidestep a share-the-wealth provision of the 1971 claims act requiring regional corporations to share 70 percent of their oil and other resource royalties.

Arctic Slope corporate leaders have said the oil wealth is on Inupiat land and should stay with the Inupiat people.

Sen. Ted Stevens, R-Alaska, appeared to forget the trade terms as he made an impassioned March 16 speech to persuade his colleagues to open the refuge to drilling. In that speech, he described how the wealth would spread from the North Slope to other native regions where many still live below the poverty line.

"... Every Alaska Native will share in the money that is received by the North Slope people. They all share because of the bill this Congress wrote, the Alaska Native Land Claim Settlement Act."

"That's a bad quote," said Arctic Slope's Glenn, who confirmed that the trade enables the corporation to keep all the oil-royalty payments. "This is not something we hide or anything, but it is a fact."

Oil vs. traditions

Arctic Slope's offices are in Barrow, where the windows of a three-story office offer sweeping views of the Arctic ice pack that will soon be the scene of the spring bowhead whale hunt.

The corporation's leaders, who will be vacating their offices to join in that hunt, have tried to fashion a corporate ethic that balances respect for Inupiat traditions with the pursuit of oil profits.

That balancing act has become more difficult as oil development spread out from Prudhoe Bay, moving closer to areas valued by Inupiat shareholders for their subsistence hunting.

In 2000, the Alpine Oil field, located partly on Arctic Slope land, started pumping oil just a few miles outside the Inupiat village of Nuiqsut, causing some residents to complain that wildlife has been displaced by the development.

The Bush administration is also pushing to lease lands for oil drilling inside a sensitive waterfowl-nesting area of Teshekpuk Lake in the National Petroleum Reserve. The Interior Department also has leased offshore tracts in the Beaufort Sea that lie in the migration path of the bowhead whales.

"Inupiat subsistence hunters and their families are beginning to feel a sense of dread about oil development," wrote George Ahmaogak, mayor of the North Slope Borough based in Barrow, in a 2003 commentary published in the Anchorage Daily News that described a growing network of pipelines and roads onshore and expanding offshore leasing.

That concern has spread to some residents of Kaktovik, the Inupiat village that — due to its location inside the coastal plain — could be at the center of a new oil boom. Earlier this year, 57 of the more than 150 Kaktovik adult residents signed a petition against refuge drilling.

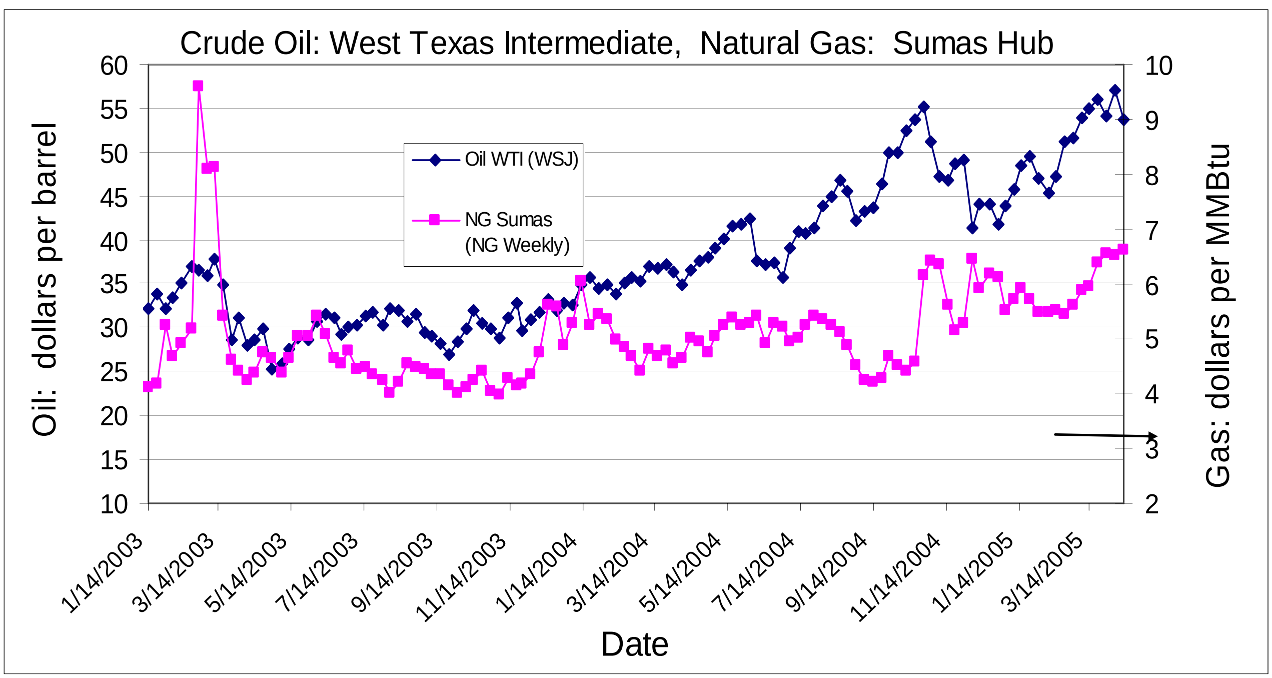
Some of the Gwich'in Indians who live farther south also have campaigned against drilling that they say will desecrate caribou calving grounds. Opening the refuge would be a form of "environmental racism," said Jonathon Solomon, chairman of the Gwich'in Steering Committee.

Arctic Slope officials forcefully reject these charges. In his letter to Young, Arctic Slope President Adams said the Inupiat oversight will help protect wildlife during a new round of oil development.

"Do not let the misguided intent of a few do harm to the Inupiat Eskimo. I and my people — the real people — thank you for consideration of our request," Adams wrote.

State Energy Price Summary

Some good news regarding energy prices - crude oil prices have declined from the record levels of last week (nearly $58/barrel for WTI). However, natural gas prices continue to trade at unseasonably high, in part due to the threat of drought in the Pacific Northwest. Electricity spot market prices remain well above the levels seen last year. NYMEX gasoline futures prices have been declining from their record levels achieved nearly 2 weeks ago, and consequently national average gasoline (and diesel) prices at the pump have begun to edge down a bit. However, we on the west coast because of our isolation from the rest of the nations' fuel markets, and our limited refinery capacity, are still experiencing increasing fuel prices, though the rate of increase has slowed appreciably in the last several of days.



Tuesday April 26, 2005

Weekly Energy Status Report

1. Northwest Power Pool Status (WA, OR, ID, MT, WY, UT, No. NV, BC, AB)

- Power Pool peak load (4/26): 42,120 MW
- Reserve margins were within comfortable ranges for Northwest Power Pool utilities.

2. Electricity, Petroleum and Natural Gas Prices

• Weekly Range at Mid-C:	$50.4 – 58.0 per MWh, Ave. = $54.1
• Approximate change from previous week	$ -1.1 per MWh
• “Normal” price range, before 5/00	$20-$40 per MWh
• Petroleum, West Texas Intermediate:	$53.58 per barrel (year ago: $37.98)
• Seattle gasoline price (4/26)	$2.50 per gallon (year ago $2.04)
• Natural gas, Sumas Hub:	$6.27 per million British Thermal Units (year ago $4.74)
• Approximate change from last week.	Oil: +3.20 $ per barrel; Nat. gas: -0.14 $ per MMBtu

3. California Electricity Situation

- CA ISO Alert Status
  - July 22, 2004: Third consecutive day of record electricity use.
  - A stage 1 alert, due to an unexpected heat wave, was declared on Mar. 31, 2004.
  - 20 minute outage in So. Cal. on March 8, 2004 due to operator error.
  - Most recent rotating blackouts: Tuesday, May 8, 2001

4. Energy News Headlines from around the Nation

- State’s businesses soaked by rising fuel costs (Seattle PI, Apr. 18)
- Seattle leads green wave in building (Seattle Times, Apr. 22)
- U.S. has its fill of high gas prices (Seattle PI, Apr. 22)
- Lawmakers OK bump in gas prices (Seattle PI, Apr. 25)
- House approves far reaching energy bill (Seattle Times, Apr 22)

5. River and Snow Pack Information (Updated: Apr. 25, 2005)

- Observed Mar. stream flow at The Dalles: 74.7% of average,
- Observed Mar. precipitation above The Dalles: 109% of average,
- Snow pack as % of average, Mar. 2005: 59%.
- Forecast Jan.-July 2005 runoff at The Dalles: 75 MAF, 70% of normal,
- Federal hydropower generation in Mar.: 7,158 aMW, 1995-2002 average: 9,530 aMW.

6. Energy Conservation Achievement (Updated: Feb. 11, 2004)

- State Agencies: From Oct thru Dec 2003 electrical usage was 9% less and natural gas usage was 21.3% less compared to the same period in 2000.

7. Power Exchanged: (Updated: Apr. 25, 2005)

- Average flow of power during the last 30 days
  - California (exported to) 1,449 MW
  - Canada (exported to) 747 MW
  - Net power export: 2,196 MW

State's businesses soaked by rising fuel prices

From apples to airlines, state's businesses take it on the chin

By MALINI GOYAL, SEATTLE POST-INTELLIGENCER Apr. 18

Like a meticulous planner, Alan Merritt, 57, marks his calendar every morning. The flowers on his 70-acre apple orchard bloomed last Friday. It is pollination time right now. And in 120 days the apples will be ripe and ready to be shipped.

Over the last 29 years, through experiment and practice, the Skagit Valley farmer has honed his apple-growing skills to make his business predictable and profitable.

But he was scarcely prepared for the surging oil prices -- the highest prices, in terms of inflation-adjusted dollars, since 1981 -- that he is facing today. From farm diesel and fertilizer to farm-to-market storage and transportation costs, his expenses have skyrocketed in the last year. Fertilizer prices alone have gone up by 16 percent. After labor, oil is the second-largest operating cost for him.

To break even, he needs to make 50 cents a pound on his apples. He's making 30 cents.

"If this continues I will go out of business soon," he said.

From farmers to cabbies, truckers to shippers, airlines to cruise companies, delivery boys and farmers to fishermen, businesses across the state are stressed as fuel prices continue to rise.

In the last 15 months, wholesale diesel prices have risen by 88 percent, from 93 cents a gallon to $1.75, and jet fuel by 69 percent, from $1.06 a gallon to $1.80. Retail gasoline in Washington state rose more than 56 percent, from $1.57 a gallon in January last year to $2.45 on Tuesday.

And if the government's latest forecast is any indicator, the upward journey will continue for at least a few weeks. Retail unleaded gasoline prices here have traditionally remained higher than the national average.

A few companies, trucking and shipping particularly, have managed to pass on the rising costs to their customers.

West Coast Trucking has raised its fuel surcharge from 6 percent to 16 percent since December 2004. Lynden International, an air freight company that ships products for retailers such as The Gap, has raised its air fuel surcharge by up to 20 percent in the last 60 days.

"Customers are not too pleased, but they understand," said Skip Hansen, vice president of Lynden International.

Many industries -- including airlines, agriculture and retailing -- that are faced with competition or excess capacity have had to absorb the oil impact. For airlines, particularly large ones, carriers already struggling to achieve financial stability after the 9/11 terrorist attacks, the price surge could not have come at a worse time.

The reason behind the oil price flare-up is simply that the supply of crude has not kept pace with demand. Globally, spare crude capacity has been at its lowest level even as demand has surged, pressed not only by America's appetite for fuel-guzzling SUVs, but by the emergence of demand in Asian economies such as China.

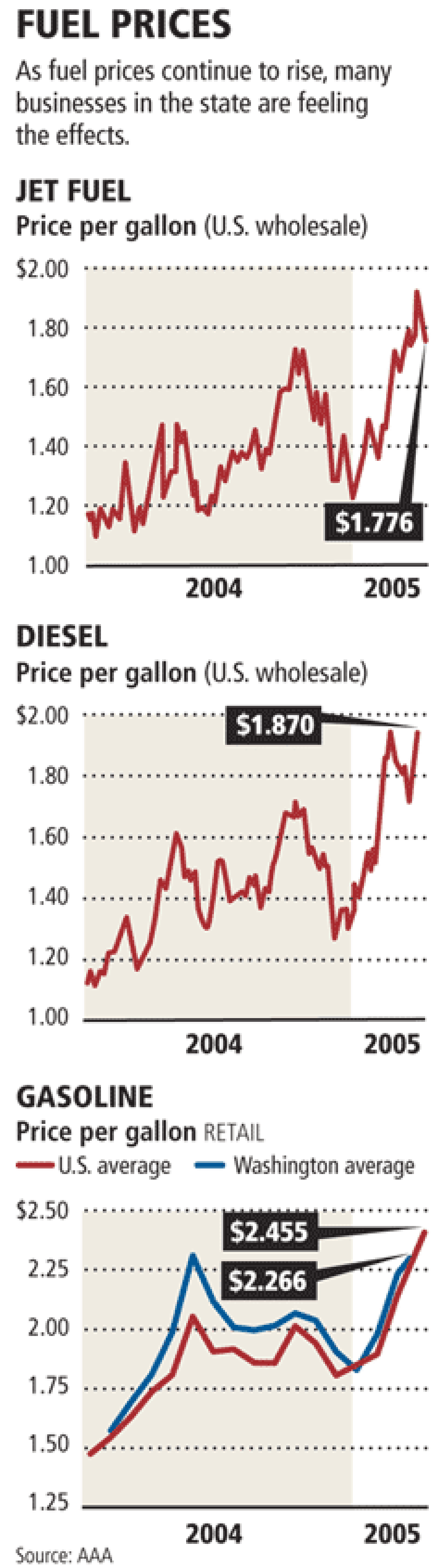
Political instability in countries such as Iraq, Venezuela and Nigeria has contributed. And a surge in speculative trading in the oil market has meant a continued upward pressure on prices.

Things are no better in the United States, where refining capacity has not kept pace with demand. The government estimates that the nation's petroleum demand in 2005 will likely touch 20.9 million barrels a day, up 1.7 per cent over 2004. In 2006, U.S. petroleum demand is projected to rise by 1.5 per cent more.

Oil prices have turned stock markets volatile. But fortunately this has not had much ripple effect on the economy at large. Interest rates have been moving up and inflation is only marginally up. But consumer spending, other than for gasoline, has maintained momentum. And despite some leveling off, orders for capital goods look good.

"Incomes, employment, household ownership -- everything is up and favorable. And that may have helped" the economy, said William Conerly, an economist at Portland-based Conerly Consulting.

But if the price rise continues, the economic recovery may not hold. Chang Mook Sohn of the Washington State Office of the Forecast Council sees non-oil expendable income dropping by $2 billion in 2005 in the state.



Businesses are taking a host of actions to save fuel.

The Boeing Co., which has a fleet of 1,035 trucks in the Puget Sound area, more than 4,000 pickup vans inside its plants and scores of pieces of gas-powered industrial equipment, has been minimizing and redrawing trip routes to save fuel, upgrading vehicles for greater fuel efficiency and servicing them on time for optimal economy.

For its commercial airliners, Boeing hopes that its still-in-design 787 will be 20 percent more fuel efficient than any aircraft today. And with rising fuel costs, that kind of promise is attracting a lot of attention from airlines.

And smaller operations are trying to stretch gas mileage, too. One seafood distributor, by using software to reroute deliveries, has managed to reduce fuel consumption by 15 percent.

Bulk oil users are also figuring out the benefits of hedging oil prices. In the airline industry, Southwest Airlines is showing the way: Despite surging prices, it has managed to keep prices of 85 percent of its jet fuel purchase stable by hedging -- essentially betting that prices will rise.

And for farmers like Merritt, "added value" is becoming the buzzword. His wife is setting up a processed-food retail outlet that aims to capture a slightly higher end of his own market.

"We are at the bottom of the chain," he said. "Moving up will help."

About 60 miles away in busy downtown Seattle, a Yellow Cab driver faces the same rising price. But his options are few.

The 43-year-old cabbie, who would identify himself only by his first name, Abeye, has watched as the rising gas price has knocked $15 to $20 a day from his income, even with a fare increase that took effect early this month.

To make up the loss, he is working harder -- seven days instead of the usual five each week. That's time he used to spend with his kids.

"Its getting tough to survive and run a family," he said.

Seattle leads 'green' wave in building

New state law paves way for environmentally friendly construction

By DEBERA CARLTON HARRELL, SEATTLE POST-INTELLIGENCER, Apr. 22

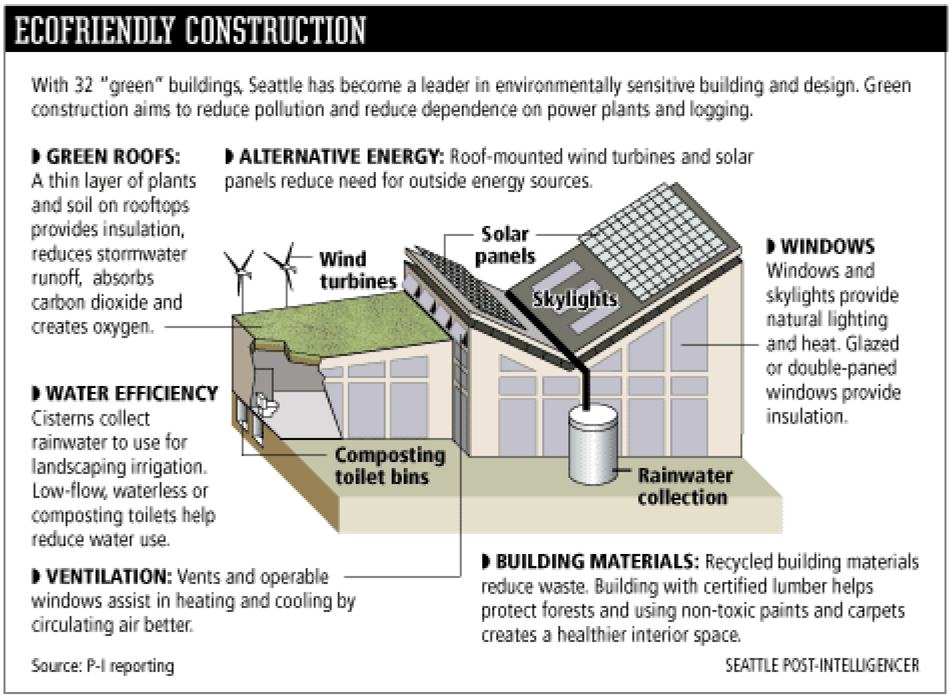
Thirty-two buildings in Seattle have a secret identity: They've been placed among us to help save the planet.

They're the first ripples of a wave of "green" construction that's about to wash across Washington, driven by a new state law and a growing appetite for ecofriendly design.

For years, Seattle has been a leader in a growing international movement to create environmentally sensitive buildings, but it's been little more than an experiment -- until now.

Washington has become the first state in the nation to require new prisons, offices, schools, colleges and other publicly funded buildings to meet a national environmental standard.

The law, signed this month by Gov. Christine Gregoire, is expected to affect billions of dollars' worth of construction projects over the next few years.



Lawmakers are convinced that the higher upfront costs of going green will pencil out in the long run -- thanks to cheaper utility and maintenance bills.

Green buildings also are supposed to be healthier inside -- using non-toxic paints and glues and relying more on natural light and ventilation. Proponents cite research indicating that the cleaner air boosts children's test scores and reduces the number of employee sick days.

During today's Earth Day celebrations, environmentalists are pointing to an even higher purpose. While green buildings may not look all that different from the sidewalk, they protect the environment in invisible, sometimes subtle, ways -- reducing demand on hydropower, reducing construction waste and soaking up storm water that can flush pollution into our waters.

The biggest drawback continues to be money.

It costs more to put in a cultivated, living roof than an asphalt one. Recycled construction materials are sometimes pricier and harder to find. It's easier and cheaper to let water run off a property than to capture it and put it to use. Installing high-tech solar panels and thermal windows, and designing rooms to bring in more sunlight, is often more expensive than simply turning up the thermostat.

Despite the higher upfront costs, the green construction law still drew strong support in Olympia, passing 78-18.

"We didn't call this a green-building bill. We called them 'high performance' buildings so people didn't think they're just hippie beads-and-incense buildings," said Rep. Hans Dunshee, D-Snohomish, a prime sponsor of the measure.

The law, which takes effect this summer, affects all publicly funded buildings over 5,000 square feet. Requirements for K-12 schools will be phased in.

To pass muster, public buildings will have to meet standards set under a program known as Leadership in Energy and Environmental Design, or LEED. Ratings start at a basic level of "certified," then rise to "silver" (what Washington adopted), "gold" and "platinum."

The system, operated by the non-profit U.S. Green Building Council, doles out points for energy and water efficiency, indoor air quality and use of recycled materials.

No buildings in this state have earned the highest certification, although Seattle's Cascade neighborhood has hopes of becoming the first -- with a planned community center renovation bristling with ecofriendly features.

"Everybody gets behind the concept and idea of making buildings more environmentally friendly. The big issue is usually cost," said Theresa Koppang, program manager for King County's solid waste division.

In February, the County Council unanimously adopted an ordinance that requires future county projects to seek the highest LEED certification possible.

Earning a "gold" rating for the King Street Center, the home for county government, didn't cost more when it was built five years ago in the International District, Koppang said. One of the features is a water reclamation system that collects storm runoff and uses it to flush toilets.

Public schools are a relative newcomer to green construction -- but a potentially huge player. The state partners with local districts to build 1.5 million square feet of school space every year on average.

In January, the Office of the Superintendent of Public Instruction issued a report assessing pilot projects in five school districts around the state, as well as national research.

Among the green-building findings: a 5 percent increase in student test scores; a 5 percent reduction in teacher turnover; and a 15 percent drop in absenteeism. The report also cited a 25 percent reduction in energy use.

"It's just the beginning," said Bill Panos of OSPI. "We'll see this evolve over time."Solar power and other green concepts and strategies were pioneered in the 1970s, when oil prices soared. But in most places, the innovations were seen as merely bridging an energy crisis.

Encouraged by the current trend, Seattle developer Gregory Broderick Smith believes it's going to take a while for the private sector to embrace green construction.

"Corporate America is so focused on immediate profitability -- Wall Street is not thinking long term," Smith said. "I'd like to demonstrate that being environmentally focused can be profitable."Smith is aiming for a "gold" rating on his latest project -- the Reedo Building in Pioneer Square. The office building will feature a green roof, solar panels and operable windows. Exposed timbers will be milled on site. He's even considering installing a small rooftop wind turbine.

Seattle, San Francisco, Portland, Pittsburgh and Boston are among the cities that have adopted strong green-building programs.

In February, Seattle celebrated the fifth anniversary of its landmark policy requiring a LEED silver rating on city-funded buildings. But City Councilman Peter Steinbrueck, an architect, wants to do more -- offering developers and builders more incentives to go green.

A high-performing building with a green roof, for example, should get a reduction in its utilities fee for controlling the spread of polluted storm water, he said.

A major breakthrough was one of the nation's first green affordable housing projects -- Traugott Terrace, which opened last June in Seattle, built and operated by the Roman Catholic Archdiocese.

The environmentally sensitive design tacked on several hundred thousand dollars to the $6 million project, including a low-energy elevator system, but the church expects to reap savings from reduced operating costs.

Another low-income housing project, the $10.7 million Denny Park Apartments being built at South Lake Union, is also going green, thanks to financial backing from the national Green Communities Initiative as well as Home Depot Foundation.

Around the state, Spokane has built a LEED-certified convention center, and the cities of Shoreline and Redmond are building green city halls. In the Seattle area, demand for LEED certification is on the rise.

Today, 29 city-owned projects are all aiming for some level of green certification. They include Seattle's City Hall and Justice Center -- the only two buildings in the city with green roofs.

Statewide, 90 green public and private projects are in the works. Sixteen have already received LEED certification.

Employers are increasingly putting a premium on healthy work environments -- a demand that developers are recognizing.

The next frontier is residential development -- single-family homes boasting green roofs, rain barrels and more.

"It's just starting," said Smith, the developer. "I hope every city wakes up to this. Sustainable design isn't just about buildings, it's about place and community."

U.S. has its fill of high gas prices

More than half of people in poll expect to face hardship

By WILL LESTER, ASSOCIATED PRESS, Seattle PI, Apr. 22.

WASHINGTON -- Half the people in the country say record-high gas prices are starting to cause them problems. Who's to blame? Americans point a finger at the oil companies, foreign nations that control the oil supply and politicians.

More than half say they're cutting back on driving, and many plan to stay closer to home on their summer vacations.

An Associated Press-AOL poll found 51 percent of those surveyed say that if gas prices remain high for the next six months, it will cause a financial hardship for them. Thirty percent of those polled classified the hit as "serious," according to the survey conducted by Ipsos-Public Affairs for the AP and AOL News.

"You have to decide -- gas, groceries, medicine," said Marcia Cain of Indianapolis, who is semi-retired. "I'm on limited income. I don't go out as much -- eating out, going to listen to jazz. It uses gas you don't want to use."

High global oil prices have pushed the cost of regular gasoline for U.S. motorists to around $2.21 per gallon, with prices ranging from an average of $2.64 in California to about $2 in Oklahoma, according to the auto group AAA. Prices are expected to remain above $2 nationally through the summer.

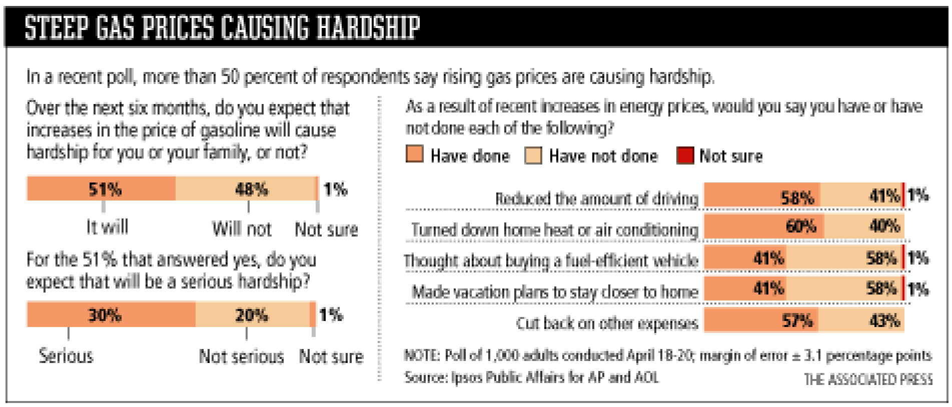
Americans spread the blame around, with 29 percent blaming the oil companies, 24 percent blaming foreign governments that dominate oil reserves and 23 percent saying politicians. Eight percent blame the high prices on "environmentalists who want to limit oil exploration," while 6 percent blame "people who drive gas-guzzling vehicles."

"Multiple parties are responsible," said Misty Sanders, a nurse and mother from Sebastian, Fla. "A lot of it is where we get our oil from. And I think the companies are doing some things to drive the price up, taking a little advantage."

Anxiety about gasoline prices comes as President Bush is pressing Congress to approve energy legislation that includes $8.1 billion in tax breaks, mostly for energy companies, and would open the Arctic National Wildlife Refuge in Alaska to oil development.

The president gets low marks from the public for his handling of the nation's energy problems, with 62 percent saying they disapprove. When he first took office, people were more inclined to say they thought he would handle energy problems effectively.

Many people, 41 percent, say gas prices are making them seriously consider buying a more fuel-efficient vehicle.



Sales of big trucks and SUVS are off at General Motors. And purchases of Ford's largest SUVs -- the Excursion, Expedition and Explorer -- all fell by more than 24 percent in the first three months of the year.

Automakers that produce hybrid cars that run on a combination of electricity and gas are reporting strong interest from consumers.

Seth Miller, who lives in Sumter, S.C., and serves in the Air Force, spent almost $80 the last time he filled up his Chevy Silverado truck. He has considered getting something that would be less of a gas guzzler.

"If it were feasible for me to buy another (more fuel-efficient) vehicle and keep my truck, I would," Miller said.

The survey found gas prices have prompted 58 percent to reduce their driving, 57 percent have cut back on other expenses and 41 percent have changed vacation plans to stay closer to home

"We're going to end up with a couple of short trips," said Tom Brewer, a father of three from Cable, Ohio. "We will stay within two or three hours from home."

Dermot Gately, a New York University economics professor, said it takes time for consumers to feel the full impact of gas prices.

"The next time they buy a vehicle -- in two or three years -- they may be more careful to get a more fuel efficient one," he said. "It's a relatively slow adjustment."

The poll of 1,000 adults was taken April 18-20 and has a margin of sampling error of plus or minus 3 percentage points

Lawmakers OK bump in gas tax of 9.5 cents

Viaduct, I-405 will benefit from $8 billion road package

SEATTLE POST-INTELLIGENCER CAPITOL CORRESPONDENT, Apr. 25

The House blasted through the Legislature's biggest roadblock yesterday, passing a 9.5-cent-a-gallon gas tax increase for transportation projects and adjourning the 105-day legislative session on time.

After a session punctuated by angry outbursts and partisan pot shots, Democrats and Republicans reached across the aisle to exchange back slaps, hugs and tearful thank-yous.

"Yeah, we tangled, but we got the job done," House Speaker Frank Chopp, D-Seattle, said.

Many lawmakers were simply pleased that it was over until next year. But leaders said there was much more to it than that.

"This is the single biggest investment in infrastructure in the history of Washington state," Senate Transportation Committee Chairwoman Mary Margaret Haugen said of the $8 billion roads package as she embraced House Majority Leader Lynn Kessler.

Democrats said throughout the session that the transportation plan to help pay for replacing the Alaskan Way Viaduct, expanding Interstate 405 and hundreds of other road projects could be passed only with help from minority Republicans.

That wasn't easy.

The new transportation taxes failed Saturday after Republican leaders, who complained that they had been steamrolled by the Democrats all session, challenged Democrats to vote as they had on other big bills -- without Republican help.

In the resulting standoff, Seattle Democrats threatened to block the $26 billion operating budget if the gas tax was not revived to help pay for the earthquake-damaged viaduct. Several of the eight Republicans who voted for the transportation tax bill on Saturday vowed to withdraw their support.

"The wheels had fallen off," said Kessler, D-Hoquiam. "We had to put them back on the track."

The state's most powerful business lobbyists, Gov. Christine Gregoire and leading lawmakers immediately stepped in to keep negotiations alive through yesterday. The transportation package was a top goal of the business lobby.

Gregoire told leaders that she would veto a transportation budget that did not include money for the big projects.

"We are on the brink of disaster, I cannot stand by and do nothing," Gregoire said.

Senate Majority Leader Lisa Brown, D-Spokane, said Gregoire's leadership "has been incredible."

Senate Minority Leader Bill, Finkbeiner, R-Kirkland, met with Gregoire earlier yesterday to discourage a special session for transportation.

"It would be an exercise in futility," he said.

"I sat through one four years ago," Finkbeiner said. "Without deadlines and without having everybody here ... the Legislature rarely performs on things it doesn't absolutely have to in special sessions."

Finkbeiner said he told Gregoire that if she wanted to pass the transportation package, "it's got to be done (yesterday) and if they are that close and she really wants to get it passed, she could do it."

Gregoire said, "In the end, I simply asked them to stand up and do the right thing."

Chopp brought the bill up again yesterday, and 11 Republicans and 43 Democrats voted yes.

Kessler said that after the first vote, Democrats went back to Republicans with a promise to deliver 43 votes -- seven more than they'd previously said would support the tax, including many from swing districts.

When Chopp called for the second vote, Republicans held back to make sure Democrats delivered on their promise and then followed suit with their own votes to pass the bill 54-43.

"We agreed to do it in a manner that we could be sure there were no more political games played on a matter as important as transportation," said House Minority Leader Bruce Chandler, R-Granger.

The gas tax increase will be phased in over four years, beginning with a 3-cent boost in July. The tax now is 28 cents a gallon.

Tolls, local taxes and weight fees on cars, light trucks and SUVs also are planned. The full gas tax increase and weight fee will cost motorists $67 to $172 a year, depending on vehicle size.

With transportation settled, Democrats breezed to the finish line, passing the operating budget with party-line votes in both chambers.

Rep. Helen Sommers, D-Seattle, the House's main budget writer, called the spending plan "a strong commitment to kids" with a focus on education "to prepare our population for the new and emerging economy."

Said Gregoire: "I can't tell you how many times I've heard that old saying, nothing ever gets done around here. That has changed."

Republicans were still fuming about the $481 million tax package Democrats pushed through last week. They used the operating budget debate as a chance to vent and cast dire predictions about Democrats' chances in future elections.

"Do you remember the last time this body considered a budget with a tax increase of over $500 million?" Rep. Gary Alexander, R-Olympia, asked rhetorically, referring to 1993, the year before the "Republican Revolution," which cost Democrats 25 House seats and majority control.

"I believe that sometimes history repeats itself," Alexander said.

Chandler said the Legislature "missed a crucial opportunity to restore the economic health and fiscal discipline to the state."

In the early weeks of this year's session, Democratic budget writers braced to begin closing a budget deficit of more that $2 billion -- though that dire prediction was later tempered by an optimistic revenue forecast.

Nonetheless, Senate Ways and Means Chairwoman Margarita Prentice, D-Renton, said it was the "heaviest lifting" she'd done in 17 years as a legislator. "I was afraid it was going to be back-breaking. We had to figure out how to get there and make sure the budget reflected what we believe in."

The budget provided long-awaited pay raises for state employees, cost-of-living allowances for teachers, money to keep 100,000 people insured under the state's Basic Health Plan, college enrollments for more than 8,000 more students and class-size reductions as outlined by voter Initiative 728.

Prentice said the state's needs grant to help lower-income students attend college was the "crowning jewel" of the budget.

Democrats also modified the state's unemployment insurance plan for the benefit of some seasonal workers, mandated that insurance companies provide mental health coverage, and implemented a system for substance abuse and mental health treatment.

Democratic leaders said their biggest disappointment was failure to expand the state Civil Rights Act to include gay people.

House Transportation Committee Chairman Ed Murray, D-Seattle, has championed the rights bill for a decade.

Although he could chalk up several successes this session -- including the transportation package and landmark legislation to reduce vehicle emissions -- he left Olympia on a down note.

"I had three big bills this session -- I'm happy with two out of three, even though I didn't get the one I wanted most."

GAS TAX PROJECTS

The 16-year transportation plan would help finance "mega-projects." It also would finance hundreds of highway and bridge projects and rail, ferry and other improvements. Among the big-ticket items:

Alaskan Way Viaduct: $2 billion

I-405: $972 million
State Route 520: $500 million
Money for public transportation: $411 million
Money for rail projects: $387 million
Bridge replacements: $341 million
Ferries: $185 million

House approves far-reaching energy bill

By H. JOSEF HEBERT, ASSOCIATED PRESS WRITER, Seattle PI, Apr. 22

For the fifth time in four years the House has approved a far-reaching energy bill. Unresolved is whether the Senate will be able to put together legislation that both chambers can embrace.

That's been a long-standing problem - and it's likely to continue to be one this time around.

Despite concern across the country as high gasoline prices pinch the pocketbook, the struggle to enact a new national agenda on energy probably won't ease in the months ahead. Senate Republicans hope to get their energy bill ready for a vote before the end of May.

The bill the House passed Thursday by a 249-183 margin reflects many of President Bush's energy priorities, and energy industries and the business community quickly embraced it. Just as quickly, environmentalists and many congressional Democrats denounced it, although 41 Democrats voted for passage.

Bush, who had challenged Congress to send him something on energy before their summer recess in August, called the House bill "an important step to secure our energy future and to reduce our dependence on foreign sources of energy."

It includes $8.1 billion in energy tax breaks and several billion in other subsidies, including $2 billion to increase research into drilling for oil and gas in extremely deep waters of the Gulf of Mexico. And there is $2 billion to makers of the gasoline additive MTBE to help them defray the cost of phasing out the product, which contaminates drinking water.

The House also called for opening the coastal plain of the Arctic National Wildlife Refuge in Alaska to oil companies. Sen. Pete Domenici, R-N.M., whose committee will put together the Senate's energy bill, has said such a provision would prompt a filibuster in the Senate and likely could not be overcome.

Instead, the Senate hopes to address the Arctic refuge issue through a separate budget process for which a filibuster is not possible.

The House bill also would give MTBE makers, including major oil companies and refiners, protection against product liability lawsuits stemming from the water contamination. More than 80 such suits already have been filed by water districts, municipalities and the state of New Hampshire.

Two years ago an identical MBTE liability waiver stopped a nearly completed energy bill in its tracks.

The House bill is cheaper than the one that came close to being approved by Congress in 2003. Still, the Taxpayers for Common Sense, an advocacy group, estimated if all of programs authorized by the bill were to get money - which they will not - it would cost taxpayers $89 billion over 10 years.

Rep. Joe Barton, R-Texas, who guided the bill during floor debate, said he would guess the bill will cost about $10 billion to $12 billion over five years. That's still too much for the White House.

"The president's very pleased with this bill," Energy Secretary Samuel Bodman told reporters. But he said he hoped that as the energy legislation works its way in the Senate and eventually in a conference between both chambers the cost can be brought down.

The bill has some provisions not seen in past energy legislation.

It would expand daylight-saving time by two months. The measure's supporters said that could save the equivalent of 100,000 barrels of oil a day. Nobody objected to that provision.

However, another new item in the House bill is likely to cause a stir if pursued in the Senate: language that assures the Federal Energy Regulatory Commission has final say over where to build liquefied natural gas import terminals, overriding state and local opposition if necessary.

In many ways the House bill is not much different from legislation it passed in 2001 and again in 2003. Those bills also called for oil drilling in the Alaska wildlife refuge and were tilted heavily to promoting energy production with modest attention to energy conservation.

Each time, however, the Senate came up with different energy priorities. When negotiators for both the House and Senate finally agreed on a bill in 2003, the deal fell apart over MTBE liability protection, which House Majority Leader Tom DeLay of Texas refused to abandon.

Since then, Senate Republicans have strengthened their majority.

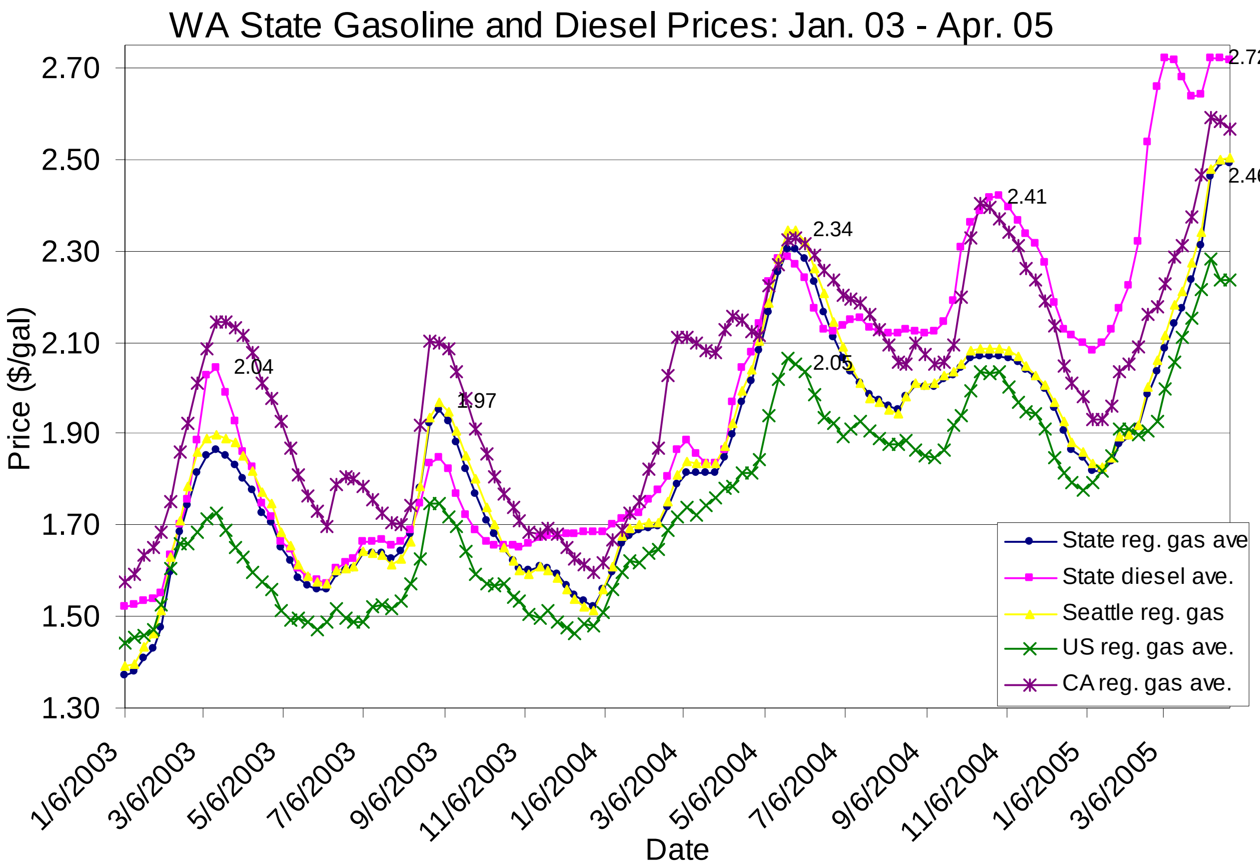
Barton said after the House vote that he believes he can find a compromise with the Senate over MTBE - perhaps funneling more money and federal attention toward water cleanup and the problem with leaking gasoline storage tanks. Still, Barton was surprised at the strength of the opposition to the MTBE provision, which fell just six votes shy of being scrapped.

"This was a surrogate vote on Tom DeLay," Barton said.

DeLay has been under attack from Democrats over unrelated ethics issues.

State Energy Price Summary

Crude oil prices have been trading in the $50-54 per barrel range down slightly from the record levels of three weeks ago (nearly $58/barrel for WTI). Natural gas prices continue to trade at unseasonably high levels, primarily due to high crude oil prices, and in part due to the threat of drought in the Pacific Northwest. Electricity spot market prices remain well above the levels seen last year. Nationally average gasoline (and diesel) prices at the pump have declined about a nickel per gallon over the last two weeks. Fuel prices on the west coast continued to rise during the last two weeks, but appear to have stabilized.


WA State Gasoline and Diesel Prices: Jan. 03 - Apr. 05
Price ($/gal)
2.70
2.50
2.30
2.10
1.90
1.70
1.50
1.30
2.04
1.97
2.34
2.05
2.41
2.72
2.46
1/6/2003
3/6/2003
5/6/2003
7/6/2003
9/6/2003
11/6/2003
1/6/2004
3/6/2004
5/6/2004
7/6/2004
9/6/2004
11/6/2004
1/6/2005
3/6/2005
Date
State reg. gas ave
State diesel ave.
Seattle reg. gas
US reg. gas ave.
CA reg. gas ave.

Tuesday May 3, 2005

Weekly Energy Status Report

1. Northwest Power Pool Status (WA, OR, ID, MT, WY, UT, No. NV, BC, AB)

- Power Pool peak load (5/2): 38,632 MW
- Reserve margins were within comfortable ranges for Northwest Power Pool utilities.

2. Electricity, Petroleum and Natural Gas Prices

• Weekly Range at Mid-C:	$39.5 – 55.3 per MWh, Ave. = $47.9
• Approximate change from previous week	$ -6.2 per MWh
• "Normal" price range, before 5/00	$20-$40 per MWh
• Petroleum, West Texas Intermediate:	$50.93 per barrel (year ago: $38.98)
• Seattle gasoline price (5/2)	$2.50 per gallon (year ago $2.10)
• Natural gas, Sumas Hub:	$6.11 per million British Thermal Units (year ago $5.04)
• Approximate change from last week.	Oil: -2.65 $ per barrel; Nat. gas: -0.16 $ per MMBtu

3. California Electricity Situation

- CA ISO Alert Status
  - July 22, 2004: Third consecutive day of record electricity use.
  - A stage 1 alert, due to an unexpected heat wave, was declared on Mar. 31, 2004.
  - 20 minute outage in So. Cal. on March 8, 2004 due to operator error.
  - Most recent rotating blackouts: Tuesday, May 8, 2001

4. Energy News Headlines from around the Nation

- High gas prices really sting low-wage workers (Seattle PI, Apr. 27)
- Ameren is asked to press fight on global warming (St. Louis Post-Dispatch, Apr. 27)
- US growth slows as energy pinches (NYT, Apr. 28)
- Japan lags in meeting own Kyoto goals (Seattle PI, Apr. 29)
- Astoria debates plan for liquefied natural gas terminal (Associated Press, Apr. 29)

5. River and Snow Pack Information (Updated: May 2, 2005)

- Observed Mar. stream flow at The Dalles: 74.7% of average,
- Observed Apr. precipitation above The Dalles: 109% of average,
- Snow pack as % of average, Apr. 2005: 64%.
- Forecast Jan.-July 2005 runoff at The Dalles: 73.8 MAF, 69% of normal,
- Federal hydropower generation in Mar.: 7,158 aMW, 1995-2002 average: 9,530 aMW.

6. Energy Conservation Achievement (Updated: Feb. 11, 2004)

- State Agencies: From Oct thru Dec 2003 electrical usage was 9% less and natural gas usage was 21.3% less compared to the same period in 2000.

7. Power Exchanged: (Updated: May 2, 2005)

- Average flow of power during the last 30 days
  - California (exported to) 1,616 MW
  - Canada (exported to) 692 MW
  - Net power export: 2,308 MW

High gas prices really sting low-wage workers

By Paul Nyhan SEATTLE POST-INTELLIGENCER REPORTER, Apr. 27

Joe and Jim Barth run their landscaping business on gasoline. It powers their trucks, lawnmowers and weed-whackers, and now it threatens to run the father-son operation out of business.

As gas prices soared well above $2 a gallon in recent months, the two owners of Jebco Horticultural Services watched their monthly fuel bill jump 50 percent. That bill began eating away at their profits, their future and the future of their 10 workers, who earn roughly $10 an hour.

"If we don't get any relief we might not see another year," said Lorna Barth, who founded the business with her husband, Joe, a quarter-century ago. "We put our lives on hold waiting to make sure the business keeps going."

The threat is a sign that sky-high gas prices are rippling through the Seattle economy. Not everyone is getting pushed to the brink -- some drivers are just canceling vacations or taking the bus. But those with low-wage jobs or little financial cushion can face dramatic lifestyle changes, especially if they have no choice but to drive to or for their jobs.

Ana Rosales, for example, is considering leaving her Delridge neighborhood so she can be closer to her 10-month-old daughter's day care. It's 15 miles away, and Rosales, 23, drives another 15 miles to work. She loses a chunk of her pay as a cruise line reservation agent every time she pays $30 to $40 to fill up her 1986 Camry.

"Having to kick out all this extra money on gas -- it just kills us," said Rosales, who earns $11.60 an hour. "I am pretty much living paycheck to paycheck."

And prices may stay high, according to industry types who keep a close eye on energy futures, complicated financial markets that offer a glimpse of future gas prices.

Crude oil futures -- basically educated guesses on how much oil will cost in the future -- are down a bit from a record level reached earlier in April, but may not fall much further.

"The chances of any big move in oil prices are slim," said Trilby Lundberg, whose California-based research firm surveyed 7,000 gas stations. Retail gasoline prices are likely to be "somewhat stable" in coming months.

The Barths hope the odds-makers on Wall Street are wrong.

That's because oil permeates their Duvall-based landscaping business. Their four pickups log 400 to 500 miles a week, petroleum is in their PVC irrigation pipes and even woven into their fertilizers.

When Lorna and Joe Barth started Jebco Horticultural in 1980, though, they had little idea how factors surrounding gasoline -- taxes, war and public policies -- could threaten their livelihood.

A gallon of unleaded gasoline sold for $1.22 that March, falling as low as 80 cents a gallon in December 1986, according to AAA data.

Yesterday that same gallon of gas averaged $2.51 at pumps around Seattle, Bellevue and Everett, according to AAA. And it wasn't hard to find gas priced even higher.

At current prices, the Barths' debt load gets heavier every month. One Jebco credit card holds $7,000 worth of charges for gas.

"We are not talking about just not being able to go on vacation -- we are talking about losing everything: a lifelong family business," Lorna Barth said. "There is no room to cut anymore."

Mary Scott doesn't have much room to cut as a part-time janitor making $9.15 an hour. A year ago, Scott put aside $30 every two weeks for her 22-mile daily commute. Now, she reserves $50.

She is dipping into her individual retirement account, as she hopes for more hours at the Everett and Lynwood office buildings she cleans from 7:30 p.m. to 2 a.m.

"I haven't changed my spending habits a lot because there is not much room for change," said Scott, 62. "It just hurts a little bit more."

Mayra Ubieta isn't about to lose everything. But, like other local drivers, she is stunned by prices at area gas stations, even if she is unsure what she can do about it.

Every other day, the West Seattle property manager pumps $10 worth of unleaded gas into her minivan just to drive 10 to 14 miles.

"It's sickening, and they're raising it again," Ubieta said yesterday.

Ubieta was referring to the 9.5-cent gas tax that state lawmakers approved over the weekend. The government will phase in the new levy over four years, adding 3 cents to a gallon of gas in July.

Tim Hamilton, who represents independent gas station owners, argues the impact of gas prices extends far beyond the number of miles people put on their cars. When people pay more for gas, they spend less at the movies, shopping malls and elsewhere, says Hamilton, Olympia-based executive director of AUTO, which represents independent gasoline retailers.

The cutbacks can curtail economic growth and reduce tax revenue, particularly in states like Washington that rely on sales taxes, according to Hamilton.

Hamilton says higher gas prices reach as far as real estate, since the Federal Reserve has been known to raise interest rates to guard against inflation, and gasoline is a key driver of prices.

Not everyone is screaming about the cost of gas, however. Todd Dougherty, who has delivered Zeeks pizzas around Seattle for years, takes a far more stoic view.

He says some of his customers realize it costs more to deliver their pies, and some even sweeten the tip.

Despite the public outcry, the veteran driver also hasn't noticed a big difference from last year, not that he could do anything about it.

"It still sucks."

Ameren is asked to press fight on global warming

By Sara Shipley, Apr 27, 2005 - St. Louis Post-Dispatch

Environmental and consumer groups turned up the heat on Ameren Corp. on Tuesday in a bid to persuade the utility to do more to combat global warming.

St. Louis-based Ameren is the seventh-largest source of carbon- dioxide emissions among electric utilities, according to an analysis of government data by Clear the Air, a coalition of environmental groups. Carbon dioxide is a greenhouse gas that contributes to climate change.

"Ameren is one of the nation's biggest contributors to global warming, and that means the company bears a special responsibility to help address the issue," Rebecca Stanfield, an environmental lawyer with the Illinois Public Interest Research Group, said in a statement.

The groups want Ameren to follow the lead of utilities such as Cinergy Corp. of Cincinnati that support some national restriction on carbon-dioxide emissions. Currently, the gas isn't a regulated pollutant. Several bills pending in Congress would create a cap-and- trade program to reduce emissions over time.

Daniel Cole, senior vice president of administration for Ameren, said the company is taking a measured approach to the climate- change issue.

"There are some who are in the 'just-say-no' camp" when it comes to addressing global warming, Cole said. "They don't believe it, and they don't accept it. We don't think that's reasonable. Others are in the 'hard-constraints' camp. We don't think that's reasonable either."

Ameren supports voluntary measures to reduce carbon dioxide, such as a proposal by President George W. Bush's administration to reduce "carbon intensity" by 18 percent by 2012.

Carbon intensity is the amount of carbon dioxide produced for each dollar of the gross domestic product. The measure would allow overall carbon-dioxide emissions to increase as the economy grows.

Ameren is working on increasing power generated from nuclear, hydropower and renewable sources and on making coal-fired power more efficient, Cole said. The company also contributes to planting trees, which store excess carbon from the atmosphere.

Kathy Andria, president of the American Bottom Conservancy in East St. Louis, said it was laughable that a company with billions of dollars of assets would be proud of spending $100,000 to plant trees.

The environmental groups released their statement on the same day as the Ameren shareholders' annual meeting, saying shareholders ultimately will pay the price if the company fails to address climate change.

At the meeting at the St. Louis Art Museum, Ameren's shareholders overwhelmingly defeated an unrelated proposal by several groups of Catholic nuns who've tried for years to force the utility to prepare a report detailing the risks of storing spent fuel rods at its Callaway County nuclear power plant.

Ameren had recommended that shareholders reject the proposal. The utility said risks outlined by the nuns are not well grounded, and the report would be an unnecessary expense.

Jeffrey Tomich of the Post-Dispatch contributed to this report.

TOP 10 CARBON-DIOXIDE-EMITTING UTILITIES, 2003

1. American Electric Power -- 219 million tons

2. Southern Co. -- 169 million tons

3. Xcel Energy -- 107 million tons

4. Tennessee Valley Authority -- 104 million tons

5. Cinergy -- 64 million tons

6. Progress Energy -- 59 million tons

7. Ameren -- 58 million tons

8. Reliant Resources -- 57 million tons

9. Edison International -- 57 million tons

10. Scottish Power (includes Pacific Corp) -- 51 million tons

Source: Analysis of Environmental Protection Agency data by Clear the Air, a coalition of environmental groups

U.S. Growth Slows as Energy Pinches

NYT, April 28, 2005

The U.S. economy grew at its slowest pace in two years during the first quarter, expanding at a 3.1 percent annual rate as consumers and businesses were pinched by rising energy prices, the government said on Thursday.

Growth in gross domestic product, which measures total output within U.S. borders, was the weakest since a 1.9 percent pace during the first quarter of 2003. It was a surprisingly sharp deceleration from the 3.8 percent rate registered in the fourth quarter of 2004.

The Commerce Department report also showed a pickup in prices, which analysts predict means another quarter percentage point hike in official interest rates -- the eighth since last June -- when Federal Reserve policymakers meet on Tuesday.

Wall Street economists had forecast first-quarter GDP would grow at a more robust 3.6 percent rate, but noted the actual rate still represented solid growth.

Consumers and businesses trimmed their spending pace, which showed up in ballooning stocks of unsold goods.

Inventories shot upward at an annual rate of $80.2 billion following a $47.2-billion pace in the fourth quarter. That was the most vigorous pace of inventory addition in nearly five years, since $99.3 billion in the second quarter of 2000.

``Investment, which we had hoped would continue to drive overall GDP growth, stalled badly,'' said economist Paul Ashworth of Capital Economics in London. A rise in inventories was not reassuring, ``since the most likely explanation is that firms were caught out by slower demand toward the end of the quarter,'' he added.

WORRY ABOUT OIL

Oil prices have been stuck at historically high levels since the first-quarter GDP data was compiled, raising concern they will feed into the broader economy, with many analysts expecting growth in the second quarter to be hit.

The softer-than-expected start to 2005 likely will boost expectations that Fed policymakers will stick to a policy of smaller, gradual rate rises at Tuesday's meeting.

The GDP report showed that price pressures were growing.

A price index favored by Federal Reserve Chairman Alan Greenspan -- personal consumption expenditures excluding food and energy products -- gained at a 2.2 percent annual rate, up from 1.7 percent in the final quarter last year and the strongest for any period since a 2.6 percent jump in the final three months of 2001.

Last Friday, Federal Reserve Governor Donald Kohn said if inflation pressures abate in the absence of a renewed energy-price spike, as expected, the Fed can stick with ``measured'' rate rises.

Japan lags in reaching own Kyoto targets

Nation was seen as model when accord was signed in 1997

By GEOFFREY YORK, Seattle PI, Apr. 29

When Japan played host to the signing of the Kyoto accord in 1997, the symbolism seemed apt. The Japanese people saw themselves as global environmental leaders.

Eight years later, however, Japan is struggling to comply with the greenhouse-gas limits of the Kyoto Protocol.

As the treaty takes effect this year, the hosts find themselves embroiled in the same internal battles that have plagued other nations on the Kyoto issue: disputes over taxes, spending, government rules and corporate behavior regarding emissions limits.

As the homeland of the Kyoto accord, Japan was expected to become a model for other countries, environmentalists say. Instead, its greenhouse-gas emissions have increased significantly in recent years.

Rather than imposing tough limits on its domestic industries, Japan is planning to meet its Kyoto obligations with more pragmatic steps, including buying emissions credits from China or Russia.

Under the Kyoto accord, Japan pledged that by 2012, it would reduce its greenhouse-gas emissions to 6 percent below its 1990 level. But the latest government reports show Japan's emissions were already 8 percent above the 1990 level in 2003, and forecasts suggest that the country will not come close to achieving its 2012 goals.

In response, the government has been forced to revise its official plan.

The latest effort -- expected to be approved by Japan's Cabinet next month -- seeks to meet its Kyoto pledge with a combination of emissions cuts, new forests and the purchase of emissions credits.

The plan fails to set any strict rules for Japanese industries or offices. Instead, the corporate cuts are left as a voluntary measure.

Nor is there any commitment to an environment tax that would penalize polluters and help finance the estimated $13 billion cost of meeting the goals, even though Japan's Environment Ministry had said that a green tax was essential to the plan.

Fierce lobbying by Japanese businesses and the Trade and Industry Ministry led to the scuttling of the tax proposal, although the government says the tax will still be considered.

"We're very disappointed by the plan," said Yurika Ayukawa, climate-change officer at the Japan office of the World Wildlife Fund.

"At least 1.6 percent of the reduction, and maybe more, will be bought from credits from the carbon market. This means that the government already admits its failure to meet the Kyoto target with domestic reductions."

Another Japanese environmentalist, Mie Asaoko, was in the conference room in Kyoto in 1997 when the accord was signed, and she remembers the excitement in the room.

"I thought it was a historic moment," she said. "But we've made less progress than I expected. If we can't meet our 2012 target, it will be a disgrace."

Town Debates Plans for Liquefied Natural Gas Import Terminal

April 29, 2005, By Joseph B. Frazier, Associated Press

ASTORIA, Ore. — Residents here are asking themselves whether they want a liquefied natural gas terminal built across the bay from their peaceful river town. They aren't alone in wrestling with that question. Several communities across the country have been proposed as sites for the terminals and their residents -- like the people in Astoria -- are worried about safety, the economy and the environment.

"The possibility of any disaster is very low," said Rose Priven, one of three project opponents running for the Port of Astoria Commission next month. "But safety studies show that if the worst happened, it would be horrendous."

A proposal for a terminal in Providence, R.I., has officials there complaining it could wreck redevelopment plans for the city's waterfront. Delaware officials are trying to block a liquefied natural gas terminal planned for southern New Jersey. Opposition already has scuttled projects in Maine, California and Alabama.

LNG is natural gas cooled until it turns to liquid so it can be shipped across the ocean in special tankers. As a liquid, LNG cannot explode and is not flammable. If released, it becomes a colorless, odorless vapor that can catch fire. It will explode only if in a confined area.

Right now, there are four import terminals -- in Maryland, Georgia, Louisiana and Massachusetts. About 50 more are in various stages of proposal or planning in the United States, Canada and Mexico -- including five in Oregon.

Industry advocates say the safety risks are exaggerated, citing a 40-year history of more than 35,000 shipments of LNG worldwide without a significant release of the fuel or a fire.

The last liquefied natural gas explosion in the United States was in Cleveland when a poorly designed tank blew up in 1944, killing 128 people and leveling a square mile. A tank blast in Algeria last year killed 30 workers and injured dozens.

Industry advocates have argued that the Algerian accident, involving a liquid gas leak and explosion set off by a spark from a boiler, could not happen at U.S. terminals because of different equipment and design.

In Oregon, the Port of Astoria has signed a five-year lease with California-based Calpine Corp., with options for two 30-year extensions if the project materializes. Designers say it could provide up to 500 construction jobs and 75 positions at the completed facility.

The project, which could be operational by 2011, has to be approved by various federal, state and local agencies. No formal application has been filed, said Tamara Young-Allen, spokeswoman for the Federal Energy Regulatory Commission in Washington, D.C.

Calpine spokesman Peter Hansen said the tanks would have inch-thick stainless steel walls inside a 3-foot-thick sheath of reinforced concrete.

Ships would travel from the Pacific Ocean to the mouth of the Columbia River several times a week. Plans call for a storage and processing terminal to be built in Warrenton, across the bay from Astoria.

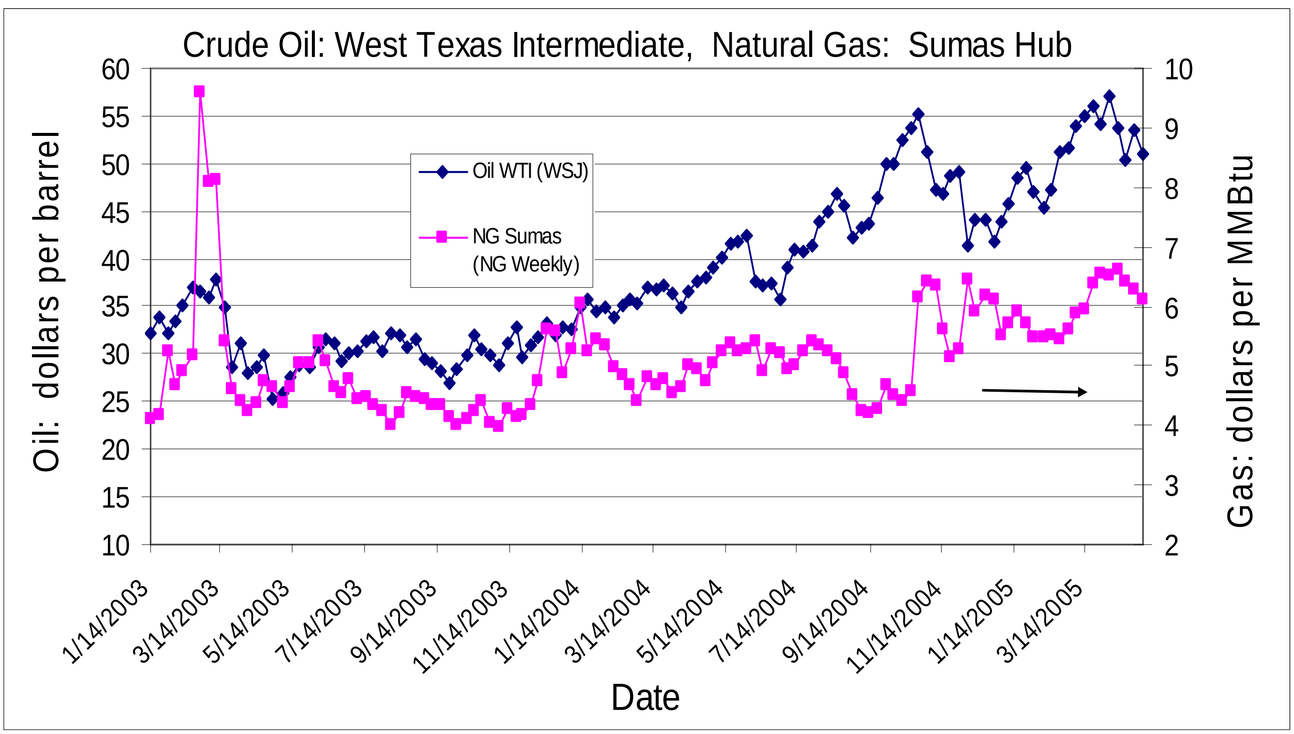
"The Warrenton location is away from concentrations of people and you don't have to pass under the bridge," he said. "We wanted to keep it away from Astoria and we believe the site is well-suited for us."

Opponents worry the planned gas project could threaten the Young's Bay estuary where salmon and other species develop. They also fear the ships carrying natural gas over the bar also could disrupt cruise ships and fishing, which bring money to the region.

President Bush has called for aggressive expansion of imports of liquefied natural gas. He said Congress should make clear the federal government has final say over locating LNG import terminals, even when states or communities object to projects.

State Energy Price Summary

After several months of very high energy prices the markets seem to have turned downward over the last couple of weeks. Crude oil price have subsided a bit (see chart below) and are hovering around $50/barrel. Nationally, prices for gasoline and diesel fuel decreased slightly, while in Washington prices have been flat for the past two weeks. Natural gas prices have edged down about 10 percent over the last three weeks, as we enter the low gas use period from end of April to early June. Spot electricity prices are still high but are down about 10 to 15 percent form recent weeks.



Tuesday May 10, 2005

Weekly Energy Status Report

1. Northwest Power Pool Status (WA, OR, ID, MT, WY, UT, No. NV, BC, AB)

- Power Pool peak load (5/9): 38,515 MW
- Reserve margins were within comfortable ranges for Northwest Power Pool utilities.

2. Electricity, Petroleum and Natural Gas Prices

• Weekly Range at Mid-C:	$40.5 – 50.3 per MWh, Ave. = $45.2
• Approximate change from previous week	$ -2.7 per MWh
• "Normal" price range, before 5/00	$20-$40 per MWh
• Petroleum, West Texas Intermediate:	$52.04 per barrel (year ago: $40.06)
• Seattle gasoline price (5/9)	$2.49 per gallon (year ago $2.10)
• Natural gas, Sumas Hub:	$5.84 per million British Thermal Units (year ago $5.24)
• Approximate change from last week.	Oil: +1.11 $ per barrel; Nat. gas: -0.27 $ per MMBtu

3. California Electricity Situation

- CA ISO Alert Status
  - July 22, 2004: Third consecutive day of record electricity use.
  - A stage 1 alert, due to an unexpected heat wave, was declared on Mar. 31, 2004.
  - 20 minute outage in So. Cal. on March 8, 2004 due to operator error.
  - Most recent rotating blackouts: Tuesday, May 8, 2001

4. Energy News Headlines from around the Nation

- A fiscally sound plan for Seattle City Light (Seattle Times, May 4)
- US retail gas prices to drop through May (NYT, May 4)
- Energy ministers advise cutting dependence on oil (Risk-Center Headline News, May 4)
- Our gridlock could be worse … (Seattle PI, May 11)
- General Electric plans broad push on green issues (WSJ, May 9)

5. River and Snow Pack Information (Updated: May 2, 2005)

- Observed Mar. stream flow at The Dalles: 74.7% of average,
- Observed Apr. precipitation above The Dalles: 109% of average,
- Snow pack as % of average, Apr. 2005: 64%.
- Forecast Jan.-July 2005 runoff at The Dalles: 75 MAF, 70% of normal,
- Federal hydropower generation in Mar.: 7,158 aMW, 1995-2002 average: 9,530 aMW.

6. Energy Conservation Achievement (Updated: Feb. 11, 2004)

- State Agencies: From Oct thru Dec 2003 electrical usage was 9% less and natural gas usage was 21.3% less compared to the same period in 2000.

7. Power Exchanged: (Updated: May 9, 2005)

- Average flow of power during the last 30 days

o California (exported to)	1,696 MW
o Canada (exported to)	803 MW
o Net power export:	2,499 MW

A fiscally sound plan for Seattle City Light

Seattle Times, May 4

Seattle City Council members opted unanimously for financial responsibility rather than political advantage in approving new City Light financial policies.

The test will be whether they can maintain discipline during an election year and under pressure from utility customers who want rate relief. That's right.

No rate cuts this year and probably not next year. That won't bode well with large industrial customers laboring under the 58-percent rate increase that followed the energy crisis of four years ago.

But this council must atone for the loony practice in the 1990s of taking on debt to keep rates artificially low — and so must the energy customers who benefited from them. That practice and City Light's ill-timed sale of a dirty power plant landed the city-owned utility in trouble when Western energy prices skyrocketed in 2000.

The policies the council approved Monday unfortunately are not as conservative as those proposed by the City Light advisory board, which proposed a slate of industry "best practices." And the council rejected Mayor Greg Nickels' idea for a charter amendment that would impose a higher standard for dipping into reserves.

But the new policies are an improvement.

They keep the utility's reserve fund at $25 million — as opposed to the board's recommended $100 million.

The council embraced the board's suggestion to ensure City Light had long-term power supplies able to cover its power load 19 years out of 20. That means in only one year in 20 — say during a bad drought year — would the hydro-based utility be forced to purchase power on the market.

The council also agreed with the board's debt-to-capital ratio target of 60 percent. (It's now an irresponsible 85 percent.)

Possibly, the council might consider reducing rates when the ratio falls to 70 percent, said Jean Godden, chairwoman of the council's Energy and Environmental Policy Committee. She said a rate reduction was not completely off the table this year.

It should be.

Better that City Light's outrageous debt is paid down and deferred maintenance caught up. Only after the utility's financial prospects are stabilized should the council even consider a rate reduction.

US retail gasoline prices to drop through May

By REUTERS, NYT Published: May 4, 2005

U.S. retail gasoline prices won't reach the peak of $2.35 a gallon in May as previously forecast and should continue declining through this month, the government said Wednesday.

A strong rise in crude oil inventories to the highest level in almost six years has pushed down the price for oil and, as a result, lowered gasoline costs, according to the Energy Information Administration.

The Energy Department's analytical arm had previously forecast that gasoline would peak at $2.35 a gallon in May. Fuel prices normally rise through the Memorial Day holiday -- the traditional start of the U.S. summer driving vacation season -- at the end of the month.

Since hitting a record high of $2.28 a gallon three weeks ago, the national average pump price has fallen about 4 cents.

``Unless supplies are disrupted, either through reduced crude oil availability or from a major refinery or pipeline outage, retail gasoline prices are likely to fall during May as lower wholesale gasoline prices are reflected at the retail level," the EIA said in its weekly review of the oil market.

``The U.S. gasoline market is showing marked signs of improvement for consumers," the agency said.

The EIA said gasoline prices will still remain ``well above" last summer's level and the higher pump costs have put gasoline demand growth on ``a somewhat slower pace."

The agency will release its revised monthly energy forecast on May 10.

U.S. gasoline use has averaged 9.147 million barrels per day (bpd) over the last four weeks, up just 0.9 percent from the same period a year ago, according to EIA data.

John Felmy, chief economist for the American Petroleum Institute, also told reporters on Wednesday that high pump prices have caused ``some decline" in gasoline demand.

He pointed out that sales of gas-guzzling sport utility vehicles (SUVs) have fallen significantly as consumers act to use less expensive gasoline.

U.S. crude oil inventories rose to 327 million barrels at the end of the last week, the biggest weekly stock level since July 1999.

However, the EIA said crude oil stocks will have to be drawn down later this summer.

The agency said with the amount of oil processed by refineries expected to increase by at least 800,000 bpd between now and the peak this summer, and imports not likely to rise much from current levels, inventories will have to be tapped to supply the crude that refineries will need.

``Therefore, the longer and higher U.S. crude oil inventories can build before they're needed, the greater the quantity that will be available when refinery inputs peak," the EIA said.

Energy Ministers Advise Cutting Dependence on Oil Due to High Prices

Ellen J. Silverman, Risk-Center Headline News, May 4, 2005

The world's richest energy consuming nations this week called for measures to curb their dependence on unreliable and expensive oil imports, as near-record oil prices show signs of stifling the global economy. The US, Europe, China and Japan were among those represented at a meeting of the International Energy Agency (IEA).

"We think the high price of energy -- oil, gas and coal -- is hurting the economy, less in OECD countries but more in the less developed countries," said Claude Mandil, head of the IEA. Speaking during parallel ministerial talks at the OECD, Mandil said high oil prices had not yet, however, translated into a sharp acceleration in global inflation. "To everyone's surprise, oil prices have not yet spilled over in any meaningful way into the economy at large, certainly not in terms of inflation," the OECD's Donald Johnston said.

Economists increasingly blame high energy costs for what seems to be an unexpected slowdown in the European economy. The US economy has also lost steam and grew at its slowest pace in two years in the first quarter. On Monday, worldwide surveys of manufacturers showed factories in the US and Europe shifted down another gear in April, indicating an oil-induced soft patch in economic activity persisted into the second quarter.

The US which is the world's largest consumer, indicated on Tuesday that high oil prices could be around for years. "Energy security is a challenge not only for the United States, but for all nations as demand continues to grow around the world," U.S. Energy Secretary Sam Bodman said in Paris . "Energy markets as exemplified by current oil prices are really a global problem that was many years in the making and undoubtedly many years in solving," he said.

Analysts say chronic underinvestment, together with rising demand and reduced spare oil capacity, drove oil prices in April to a record high above $58 a barrel. Prices have since fallen back to $50, due to increased output from the Organization of the Petroleum Exporting Countries that has helped to increase stocks in the US. But oil is still around two thirds more expensive than when the IEA last held a ministerial meeting in Paris two years ago.

The IEA said investment was key to calming oil prices. "Energy markets require both timely investment and sufficient stocks to absorb unpredicted yet inevitable surprises." The energy body has said $16 trillion needs to be invested over the next quarter of a century to ensure supplies and that spending is not on track. "Investment is lagging not only in the oil sector upstream but even more in the downstream and gas and electricity," Mandil said.

The IEA is also calling for ways to curb energy import dependence, raise fuel efficiency and reduce the environmental impact of the world's growing reliance on fossil fuels.

It has published a report called "Saving Oil in a Hurry", which includes proposals, including car sharing and potentially unpopular driving restrictions, that could shave one million barrels per day from industrialized nations' oil demand. "I'm not sure that this will have any impact on demand in the short to medium term," said Frederic Lasserre of SG Commodities. "I think that the price would make more impact on demand than any political decision."

Our gridlock could be worse ...

Traffic jams build across U.S.; here, little has changed

By SEATTLE POST-INTELLIGENCER STAFF AND THE ASSOCIATED PRESS, May 11

It may be cold comfort to people stuck in Seattle-area traffic, but as congestion worsened in many areas across the country, gridlock in the Puget Sound region basically stayed the same.

Congestion across the United States delayed travelers 79 million more hours and wasted 69 million more gallons of fuel in 2003 than in 2002, according to a national report.

Overall in 2003, there were 3.7 billion hours of travel delay and 2.3 billion gallons of wasted fuel for a total cost of more than $63 billion.

"Urban areas are not adding enough capacity, improving operations or managing demand well enough to keep congestion from growing," the Texas Transportation Institute's 2005 Urban Mobility Report concluded.

Seattle's congestion changed little between 2002 and 2003, said study co-author Tim Lomax.

The city's "travel time index" rank moved from 13th-worst in the nation in 2002 to 12th-worst in the nation the next year. That's not far out of line with the city's size. The Seattle metro area, with a population of 2.9 million, is the nation's 14th largest urban area, according to the institute.

Seattle's travel time index indicates that trips during rush hour in 2003 took 38 percent longer than when traffic was flowing freely. Rush-hour trips took 36 percent longer than off-peak trips in 2002.

Although Seattle's travel time index worsened slightly, each traveler in the Seattle urban area spent slightly less time waiting in rush-hour traffic -- 46 hours during 2003 compared with 48 hours in 2002.

General Electric Plans Broad Push on Green Issues

By KATHRYN KRANHOLD and JEFFREY BALL THE WALL STREET JOURNAL ***May 9, 2005***

Green Goals

General Electric sets out a new environmental program:

- **More than doubling research budget** to $1.5 billion by 2010 on new environmentally friendly technologies including coal sequestration and a hybrid locomotive.
- **Double its sales** of eco-friendly technologies by 2010 to $20 billion. Those products include wind turbines, solar panels, coal-gasification power plants, water-purifying and conservation technologies, and energy-efficient dishwashers and lighting.
- **Reduce its greenhouse-gas emissions,** which are mostly carbon dioxide, by 1% by 2012 from 2004 level of around 11 million metric tons.
- **Improve its energy efficiency** by 30% by 2012.
- **Report publicly** on its progress toward carbon dioxide reductions on an annual basis.

Source: the company

Seeking to make money on the global push toward tougher environmental regulation, General Electric Co. rolled out today a comprehensive investment, marketing and policy initiative that addresses environmental issues such as global warming and water shortages.

The Fairfield, Conn., conglomerate plans to more than double its investment, to $1.5 billion by 2010, in technologies that include cleaner coal-fired power plants, a diesel-and-electric hybrid locomotive and agricultural silicon that cuts the amount of water and pesticide used in spraying fields.

GE aims to achieve $20 billion in sales of environmentally cleaner products by 2010, or double the amount it currently has -- a target that would comprise as much as 20% of the company's estimated industrial sales. Already, GE, the biggest publicly traded company in the U.S., sees a business case for its strategy as utilities such as Cinergy Corp. and American Electric Power Co. line up to build plants using cleaner coal-burning technology.

GE Chairman and Chief Executive Jeffrey Immelt plans to urge the U.S. energy industry to take the lead in dealing with carbon-dioxide emissions in a "carbon-constrained world." Carbon dioxide is produced when fossil fuels are burned and is widely believed to be the main global-warming gas.

GE says it will reduce its global-warming emissions by 1% over the next seven years. GE also says it will increase its energy efficiency by 30% by 2012.

GE's move comes as an increasing number of big U.S. companies are calling for a federal global-warming emissions cap and announcing their own emissions reductions. Multinationals based in the U.S., where the government has rejected the Kyoto Protocol, the international global-warming treaty, are preparing to comply with the treaty's mandates in foreign countries where they do business. Executives at many big U.S. companies say they have concluded that it is only a matter of time before the U.S. also imposes some sort of global-warming emissions cap.

A number of big companies and public entities have pledged 4% reductions in their global-warming emissions over several years ending in 2006 as part of the Chicago Climate Exchange, a voluntary program to test ways to address global warming economically. Among CCE members are Ford Motor Co., DuPont Co., Motorola Inc. and International Business Machines Corp.

In a recent interview, Mr. Immelt said he plans to encourage the federal government to mandate that utilities produce a specific percentage of electricity from "renewable" energy sources such as the sun and wind, like many European countries and some U.S. states have done.

GE's promised 1% emissions cut would be less aggressive than the reduction envisioned by the Kyoto Protocol. It also would be less significant than the voluntary cuts pledged by several other U.S. companies. But the GE pledge is more aggressive than the Bush administration's global-warming policy, which envisions businesses continuing to increase their emissions, along with economic growth, though emissions would increase at a slower rate.

To be sure, a 1% cut over several years, even by a huge company like GE, won't make an appreciable dent in global warming. Its importance is more symbolic. GE's move is likely to intensify the political debate over whether the U.S. should impose a federal global-warming emissions cap.

GE says its emissions-reduction pledge is significant, given that the company's emissions were on track to grow by 2012 between 40% and 45% if the company did nothing to curb them.

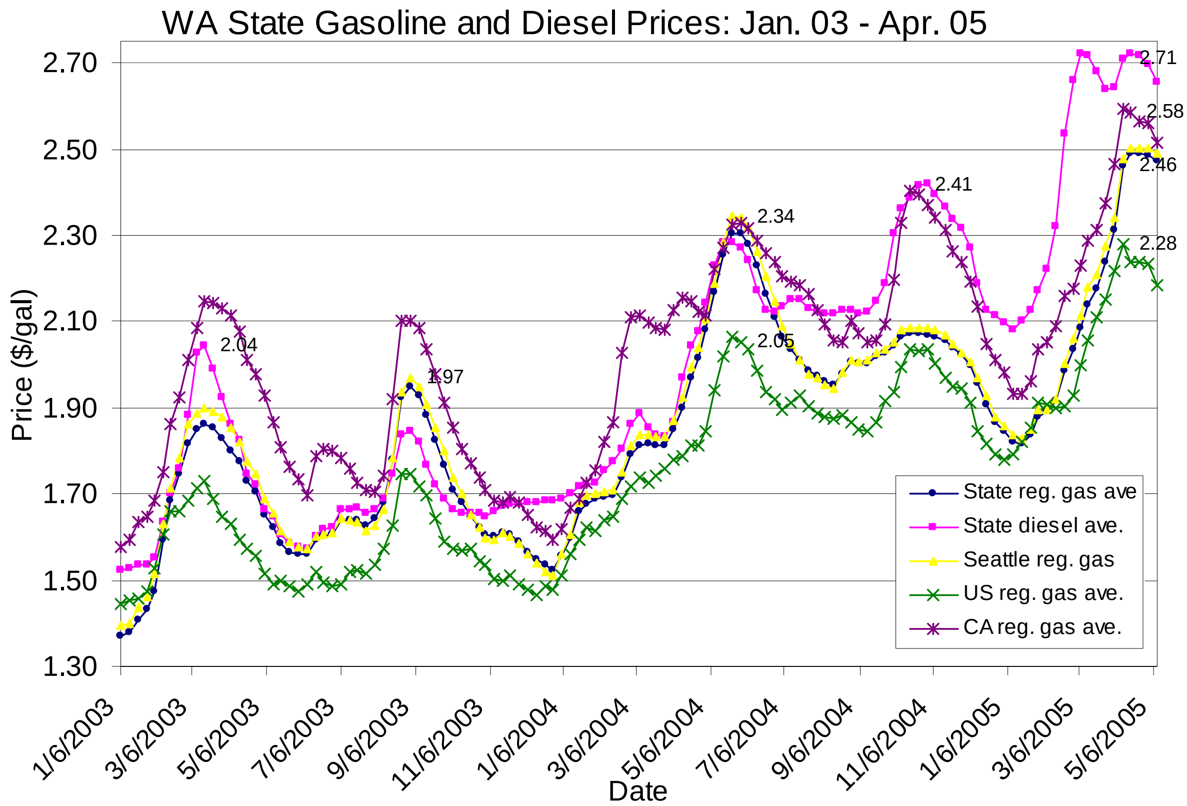
In the past, GE executives have stayed away from publicly addressing issues like global warming or from marketing itself as a company producing environmentally-friendly products. That's partly because the company is facing a continuing controversy over dumping polychlorinated biphenyls in the Hudson River in New York State. GE is negotiating with the Environmental Protection Agency over the best way to dredge the Hudson and remove the chemicals, which were banned by the federal government in 1977.

Given its past, GE risks environmentalists' wrath with what it calls its new "Ecomagination" campaign. In one television ad, attractive male and female models, their biceps exposed and flexed, pose as coal miners as a voiceover says GE is making coal more beautiful.

Environmental activists called GE's move significant. "GE is a potent symbol and sends a powerful message to the private sector and the public-policy sector," said Jonathan Lash, president of World Resources Institute, an organization in Washington that tries to persuade companies that investing in environmentally friendly technologies can be good for their bottom lines.
Mr. Immelt isn't shy to say that global warming is good for GE and its shareholders, because the company sells technology such as wind turbines and natural-gas-fueled turbines that produce fewer emissions than traditional technology. "We're at a tipping point where energy efficiency and emission reductions also equal profitability," he says.

State Energy Price Summary

Energy prices continued to moderate over the last week. Gasoline and diesel prices edged downward both nationally and regionally: state (average) gasoline and diesel prices are down 2 and 6 cents per gallon respectively from the record highs reached 3 weeks ago. Transportation fuel prices are expected to decline through May and then hold steady during the June through September driving season. Natural gas and electricity prices continue their typical springtime slide when both space heating and electricity generation demand is low. However, gasoline, diesel, natural gas and electricity prices are still significantly higher than normal for this time of year. The chart below illustrates the recent price trend for transportation fuels.



WA State Gasoline and Diesel Prices: Jan. 03 - Apr. 05
Price ($/gal)
2.70
2.50
2.30
2.10
1.90
1.70
1.50
1.30
2.04
1.97
2.34
2.05
2.41
2.71
2.58
2.46
2.28
State reg. gas ave
State diesel ave.
Seattle reg. gas
US reg. gas ave.
CA reg. gas ave.
1/6/2003
3/6/2003
5/6/2003
7/6/2003
9/6/2003
11/6/2003
1/6/2004
3/6/2004
5/6/2004
7/6/2004
9/6/2004
11/6/2004
1/6/2005
3/6/2005
5/6/2005
Date

Tuesday May 17, 2005

Weekly Energy Status Report

1. Northwest Power Pool Status (WA, OR, ID, MT, WY, UT, No. NV, BC, AB)

- Power Pool peak load (5/17): 41,882 MW
- Reserve margins were within comfortable ranges for Northwest Power Pool utilities.

2. Electricity, Petroleum and Natural Gas Prices

• Weekly Range at Mid-C:	$28 – 49.5 per MWh, Ave. = $39.3
• Approximate change from previous week	$ -5.9 per MWh
• "Normal" price range, before 5/00	$20-$40 per MWh
• Petroleum, West Texas Intermediate:	$48.62 per barrel (year ago: $41.50)
• Seattle gasoline price (5/17)	$2.47 per gallon (year ago $2.28)
• Natural gas, Sumas Hub:	$5.71 per million British Thermal Units (year ago $5.38)
• Approximate change from last week.	Oil: +3.42 $ per barrel; Nat. gas: -0.13 $ per MMBtu

3. California Electricity Situation

- CA ISO Alert Status
  - July 22, 2004: Third consecutive day of record electricity use.
  - A stage 1 alert, due to an unexpected heat wave, was declared on Mar. 31, 2004.
  - 20 minute outage in So. Cal. on March 8, 2004 due to operator error.
  - Most recent rotating blackouts: Tuesday, May 8, 2001

4. Energy News Headlines from around the Nation

- Rebuffing Bush, 132 mayors embrace Kyoto rules (NYT, May 14)
- Cinergy sold (Cincinnati Post, May 11)
- Gas prices weigh on consumer sentiment (NYT, May 13)
- Environmentalists shift on nuclear power (UPI, May 15)
- New study blames global warming for earlier springs (Seattle Times, May 17)

5. River and Snow Pack Information (Updated: May 2, 2005)

- Observed Mar. stream flow at The Dalles: 74.7% of average,
- Observed Apr. precipitation above The Dalles: 109% of average,
- Snow pack as % of average, Apr. 2005: 64%.
- Forecast Jan.-July 2005 runoff at The Dalles: 75 MAF, 70% of normal,
- Federal hydropower generation in Mar.: 7,158 aMW, 1995-2002 average: 9,530 aMW.

6. Energy Conservation Achievement (Updated: Feb. 11, 2004)

- State Agencies: From Oct thru Dec 2003 electrical usage was 9% less and natural gas usage was 21.3% less compared to the same period in 2000.

7. Power Exchanged: (Updated: May 17, 2005)

- Average flow of power during the last 30 days
  - California (exported to) 2,067 MW
  - Canada (exported to) 814 MW
  - Net power export: 2,881 MW

Rebuffing Bush, 132 Mayors Embrace Kyoto Rules

NYT, May 14, 2005

Unsettled by a series of dry winters in this normally wet city, Mayor Greg Nickels has begun a nationwide effort to do something the Bush administration will not: carry out the Kyoto Protocol on global warming.

Mr. Nickels, a Democrat, says 131 other likeminded mayors have joined a bipartisan coalition to fight global warming on the local level, in an implicit rejection of the administration's policy.

The mayors, from cities as liberal as Los Angeles and as conservative as Hurst, Tex., represent nearly 29 million citizens in 35 states, according to Mayor Nickels's office. They are pledging to have their cities meet what would have been a binding requirement for the nation had the Bush administration not rejected the Kyoto Protocol: a reduction in heat-trapping gas emissions to levels 7 percent below those of 1990, by 2012.

On Thursday, Mayor Michael R. Bloomberg brought New York City into the coalition, the latest Republican mayor to join.

Mr. Nickels said that to achieve the 7 percent reduction, Seattle was requiring cruise ships that dock in its bustling port to turn off their diesel engines while resupplying and to rely only on electric power provided by the city, a requirement that has forced some ships to retrofit. And by the end of this year the city's power utility, Seattle City Light, will be the only utility in the country with no net emissions of greenhouse gases, the mayor's office said.

Salt Lake City has become Utah's largest buyer of wind power in order to meet its reduction target. In New York, the Bloomberg administration is trying to reduce emissions from the municipal fleet by buying hybrid electric-gasoline-powered vehicles.

Nathan Mantua, assistant director of the Center for Science in the Earth System at the University of Washington, which estimates the impact of global warming on the Northwest, said the coalition's efforts were laudable, but probably of limited global impact.

"It is clearly a politically significant step in the right direction," Dr. Mantua said. "It may be an environmentally significant step for air quality in the cities that are going to do this, but for the global warming problem it is a baby step."

Mr. Nickels said he decided to act when the Kyoto Protocol took effect in February without the support of the United States, the world's largest producer of heat-trapping gases. On that day, he announced he would try to carry out the agreement himself, at least as far as Seattle was concerned, and called on other mayors to join him.

The coalition is not the first effort by local leaders to take up the initiative on climate change. California, under Gov. Arnold Schwarzenegger, a Republican, is moving to limit carbon dioxide emissions, and Gov. George A. Pataki of New York, also a Republican, has led efforts to reduce power plant emissions in the Northeast. But the coalition is unusual in its open embrace of an international agreement that the Bush administration has spurned, Mayor Nickels's office said, and is significant because cities are huge contributors to the nation's emission of heat-trapping gases.

Michele St. Martin, communications director for the White House Council on Environmental Quality, said the Kyoto Protocol would have resulted in a loss of five million jobs in the United States and could raise energy prices.

Ms. St. Martin said President Bush "favors an aggressive approach" on climate change, "one that fosters economic growth that will lead to new technology and innovation."

But many of the mayors said they were acting precisely out of concern for the economic vitality of their cities. Mr. Nickels, for example, pointed out that the dry winters and the steep decline projected in the glaciers of the Cascade range could affect Seattle's supply of drinking water and hydroelectric power.

The mayor of low-lying New Orleans, C. Ray Nagin, a Democrat, said he joined the coalition because a projected rise in sea levels "threatens the very existence of New Orleans."

In Hawaii, the mayor of Maui County, Alan Arakawa, a Republican, said he joined because he was frustrated by the administration's slowness to recognize the scientific consensus that climate change was happening because of human interference.

"I'm hoping it sends a message they really need to start looking at what's really happening in the real world," Mayor Arakawa said.

Mayor Nickels said it was no accident that most cities that had joined were in coastal states. The mayor of Alexandria, Va., is worried about increased flooding; mayors in Florida are worried about hurricanes.

But Mr. Nickels has also found supporters in the country's interior. Jerry Ryan, the Republican mayor of Bellevue, Neb., said he had signed on because of concerns about the effects of droughts on his farming community. Mr. Ryan described himself as a strong Bush supporter, but said he felt that the president's approach to global warming should be more like his approach to terrorism.

"You've got to ask, 'Is it remotely possible that there is a threat?' " he said. "If the answer is yes, you've got to act now."

Cinergy Sold

May 11 - Cincinnati Post

Cinergy Corp., the parent of Union, Light, Heat and Power and Cincinnati Gas and Electric, said today it's agreed to be acquired by Duke Energy, a big North Carolina-based utility.

If approved by shareholders of both companies and by state and federal regulators, the new company would be called Duke Energy and would be headquartered in Charlotte, N.C.

The headquarters of ULH&P and CG&E would remain in Cincinnati, officials said.

The companies said they expect to cut 1,500 jobs, primarily through attrition, early retirements and other severance programs. There are 700-750 corporate-level jobs at Cinergy in Greater Cincinnati and 6,000 employees overall, said Cinergy spokesman Steve Brash.

Jim Rogers, currently chairman, president and chief executive officer of Cinergy, will become president and chief executive officer of Duke Energy. Paul M. Anderson, current chairman and chief executive officer of Duke, will become chairman of the board of the combined company.

Officials said the deal will be made through a stock swap valued at about $9 billion.

It would create a new giant in the energy business, with 5.4 million retail customers, $27 billion in annual revenue and more than $70 billion in assets. It will own and/or operate about 54,000 megawatts of electric generation domestically and internationally.

Under the agreement, each common share of Cinergy will be converted into 1.56 shares of Duke Energy upon closing of the deal. Based on the closing stock prices from Friday, Cinergy investors will receive a premium of 13.4 percent.

The deal was unanimously approved by both companies' boards.

The new board initially will consist of 10 members named by Duke Energy and five members named by Cinergy.

Following the merger, Cinergy shareholders will own about 24 percent, or 310 million shares, of the new company, and Duke Energy shareholders will own about 76 percent of the total 1.3 billion shares.

"I see it as the right strategic combination at the right time," Rogers said.

Duke expects the deal to add to earnings in the first full year of operation.

Duke reported earnings of $1.49 billion on revenue of $22.5 billion in 2004. Cinergy posted 2004 net income of $400.9 million on sales of $4.69 billion.

"By combining resources and best practices, the merger will enhance operations and create efficiencies at all levels of the new company, including generation, transmission and distribution as well as power and gas marketing," the two companies said in a joint press release this morning.

"This union is a great strategic fit and leaves us well positioned for continued consolidation in the energy sector, as both the electric and gas businesses will have the scale to stand alone. Importantly, it also provides an immediate and significant improvement for our merchant operations and enhances their future prospects," the statement said.

"This combination creates a stronger platform from which to continue our leadership in finding practical solutions to the environmental challenges facing our industry and country," Rogers said in a prepared statement.

In listing benefits of the merger, the two companies said the merger will save some $400 million a year in costs related to marketing, trading and generation businesses.

Gas Prices Weigh On Consumer Sentiment

By REUTERS, NYT, May 13, 2005

U.S. consumer sentiment dipped in early May as record high gasoline prices weighed while more expensive crude shipments boosted the cost of imports last month, according to data released on Friday.

Other data released on Friday showed U.S. inventories grew slightly below expectations in March, implying economists are on track with upward revisions to expectations for first-quarter economic growth.

Analysts said the report was likely to reinforce views that the Federal Reserve will continued hiking interest rates at a ``measured'' pace in order to head off inflationary pressures.

Although gasoline prices have eased from record highs last month, the University of Michigan said its measure of consumer sentiment slipped to 85.3 in early May from 87.7 in April, according to market sources who saw the subscription-only report.

Wall Street analysts had forecast a slight gain to 88.0.

``The consumer sentiment readings were weaker than expected and suggest that people are still not feeling good about a lot of things right now," said Gary Thayer, chief economist at AG Edwards & Sons in St. Louis, Missouri.

``High gas prices and corporate news on autos and airlines is dampening both current conditions and expectations -- the good news is that energy prices have started to retreat and this could help confidence stabilize," Thayer said.

Oil prices dipped to just above $48 per barrel on Friday, easing from record highs over $50 per barrel through most of April.

U.S. import prices also felt the pinch of strong oil prices, rising 0.8 percent last month, the Labor Department said. The import price rise was double forecasts and compared with a revised 2.0 percent gain in March import prices.

Excluding petroleum, import prices rose by 0.4 percent in April and were 3.0 percent higher year-over-year.

Total import prices have risen 8.1 percent on a 12-month basis, the largest 12-month change since November 2004. That reflects surging petroleum costs which are up 43.1 percent since last year.

April export prices were up 0.6 percent, well above forecasts for a 0.2 percent increase, and a rise of 0.6 percent in March.

Financial markets took the news in stride, showing little reaction to the data, which included a 0.4 percent increase in business inventories in March, just below Wall Street predictions of a 0.6 percent rise.

The inventory data were not seen as strong enough to diminish the bullish first-quarter growth story portrayed by Wednesday's trade data which showed the U.S. international trade deficit was much narrower in March than forecast.

Economists have since been revising upward their expectations for first-quarter gross domestic product from the 3.1 percent annual rate predicted in late April.

``Businesses continue to build inventories broadly in line with rising sales ... overall, first quarter GDP will be revised up by about 0.6 percentage point based on other data releases and revisions," said Steven Wood, chief economist at Insight Economics in Danville, California.

While analysts mulled their first-quarter GDP forecasts, they downplayed the May dip in consumer sentiment in light of data released on Thursday showing consumers were not afraid to open their wallets and spend in April.

Overall retail sales rose 1.4 percent in April, double forecasts of a 0.7 percent gain.

``If one has to choose, spending is more important than these (confidence) surveys," said Lynn Reaser, chief economist at Banc of America Capital Management in Boston.

Environmentalists Shift on Nuclear Power

May 15 - United Press International

Some prominent U.S. environmentalists say nuclear power should be reconsidered as a remedy for global warming, the New York Times reported Sunday.

Stewart Brand, a founder of the Whole Earth Catalog and the author of Environmental Heresies, an article in the May issue of Technology Review, said environmentalists are changing their attitudes towards nuclear power because of the growing anxiety about fossil fuels and global warming.

It's not that something new and important and good has happened with nuclear, it's that something new and important and bad has happened with climate change, Brand said in an interview.

Other environmental experts -- including Fred Krupp, the executive director of Environmental Defense; Jonathan Lash, the president of the World Resources Institute; and James Gustave Speth, the dean of Yale's School of Forestry and Environmental Studies -- have stopped short of openly endorsing nuclear power, but they have said it should not be outright rejected.

The environmentalists say solutions should to be developed for the economic, safety and security, waste storage and proliferation issues.

New study blames global warming for earlier springs

By Seth Borenstein, Seattle Times, May17

Each spring, the robins are arriving in Wisconsin several days earlier than they did a decade ago. Endangered woodpeckers in North Carolina are laying their eggs about a week earlier than they did 20 years ago. And some of Washington, D.C.'s signature cherry trees bloom about a month earlier than they did a half-century ago.

The first signs of spring are appearing earlier in the year, and a new study from Stanford University released yesterday says man-made global warming is clearly to blame.

Spring has been pushed forward by nearly 10 days worldwide, on average, in just 30 years, the study shows.

What this means, biologists say, is that the global environment is changing so fast that the slow evolutionary process of species adaptation can't keep up. Early arriving birds could crowd out birds that migrate only in longer daylight, leaving them insufficient food. Early blossoming flowers, such as the columbine, could be wiped out by spring snowstorms.

"What we're really concerned about is this tearing apart of communities; some species are going to be changing, and some are not," said study co-author Terry Root, an ecologist at Stanford's Center for Environmental Science and Policy.

The peer-reviewed study, published in the Proceedings of the National Academy of Sciences, statistically links global warming from the burning of fossil fuels to signs of early spring at detailed local levels for the first time.

Stanford scientists examined 41 giant grids — each about 150 miles wide by 150 miles long — and looked at 130 species of birds, animals, trees and other plants that showed significant changes in springtime activity. On a global average, signs of spring appear 9.6 days earlier than they did 30 years ago.

Europe's spring moved ahead 15 days, while North America's has advanced six days, on average. But areas north of 45 degrees north latitude — from Maine to Washington State— saw spring species arriving more than 13 days earlier.

This has all happened while average global temperatures have risen about 1 degree Fahrenheit over the past 30 years. The consensus of mainstream climate scientists is that temperatures will rise an additional 4 to 10 degrees over the next century, Root said.

Duke University ecologist Norman Christensen, who didn't work on the study, said the Stanford research seems to show what biologists see when they go into the woods and swamps.

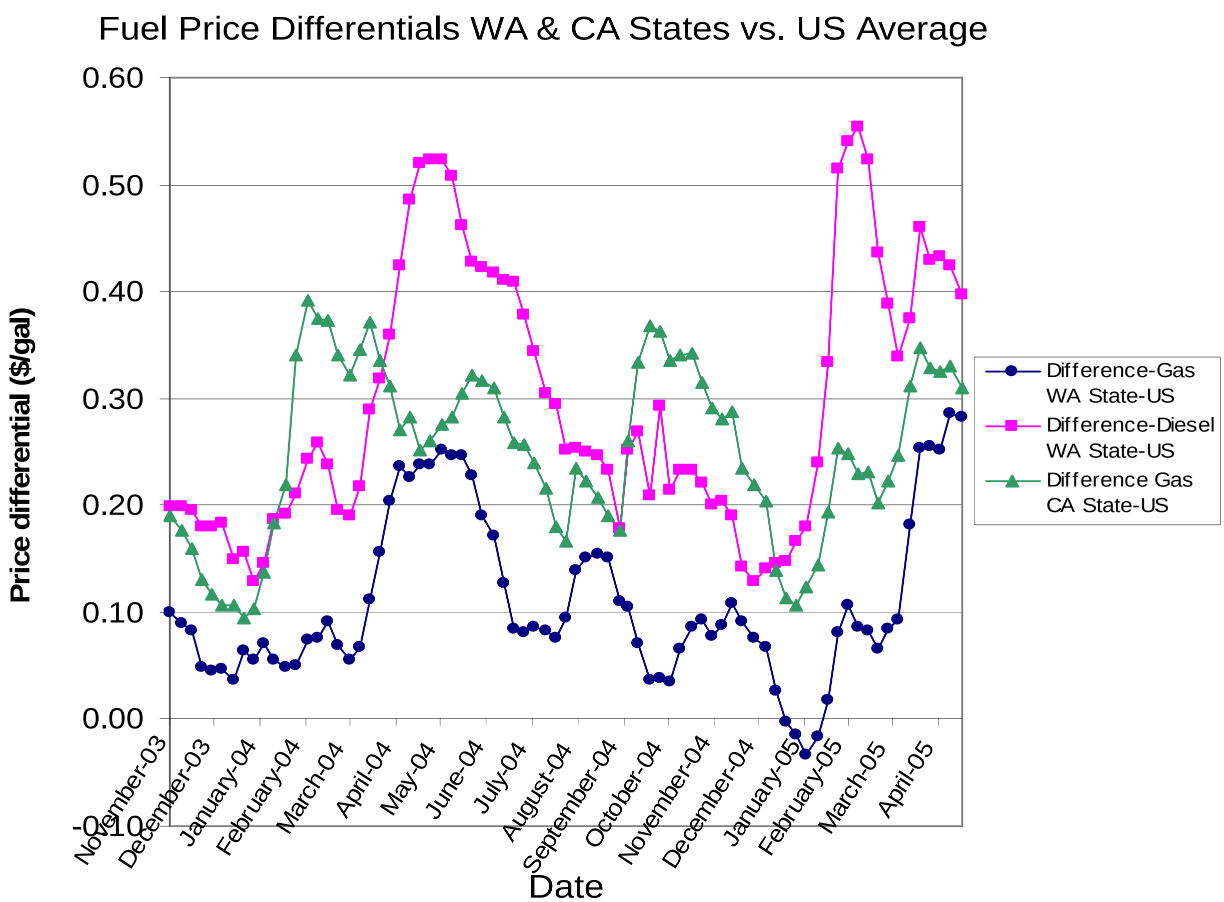
"For a lot of us who work in the field a lot, there's sort of an anecdotal sense that this [start of spring] has changed considerably," Christensen said. "In the 30 years that I've been looking at forests in the Southeast, spring tends to come a little earlier."

Root's Stanford colleague Stephen Schneider said the localized nature of the study should help answer questions from the minority of scientific dissenters who don't see global warming as man-made or a problem. Those dissenters say temperature figures on the ground and city heat distort measurements of global warming, while satellite data don't show significant heating.

"This jumps over the whole argument of flaws of instrumental records," Schneider said. "The plants and animals seem to think there's warming."

State Energy Price Summary

Virtually all energy/fuel prices declined last week. Crude oil was down by several dollars per barrel, while average weekly electricity spot market prices declined by nearly $6 per megawatt-hour (approx. 15%). Gasoline and diesel prices continued to edge downward both nationally and regionally: state (average) gasoline and diesel prices were down 2 and 5 cents per gallon respectively for the week. However, average gasoline and diesel prices are still significantly higher on the west coast. The chart below illustrates the difference between Washington, California and national (average) prices for gasoline and diesel.



Thursday May 26, 2005

Weekly Energy Status Report

1. Northwest Power Pool Status (WA, OR, ID, MT, WY, UT, No. NV, BC, AB)

- Power Pool peak load (5/25): 43,054 MW
- Reserve margins were within comfortable ranges for Northwest Power Pool utilities.

2. Electricity, Petroleum and Natural Gas Prices

• Weekly Range at Mid-C:	$10.5 - 42 per MWh, Ave. = $26.45
• Approximate change from previous week	$ -12.9 per MWh
• "Normal" price range, before 5/00	$20-$40 per MWh
• Petroleum, West Texas Intermediate:	$49.14 per barrel (year ago: $41.50)
• Seattle gasoline price (5/25)	$2.43 per gallon (year ago $2.28)
• Natural gas, Sumas Hub:	$5.49 per million British Thermal Units (year ago $5.38)
• Approximate change from last week.	Oil: +0.52 $ per barrel; Nat. gas: -0.22 $ per MMBtu

3. California Electricity Situation

- <u>CA ISO Alert Status</u>
  - July 22, 2004: Third consecutive day of record electricity use.
  - A stage 1 alert, due to an unexpected heat wave, was declared on Mar. 31, 2004.
  - 20 minute outage in So. Cal. on March 8, 2004 due to operator error.
  - Most recent rotating blackouts: Tuesday, May 8, 2001

4. Energy News Headlines from around the Nation

- Biodiesel picks up speed (Spokesman Review, May 22)
- UN climate talks start successor to Kyoto (Reuters, May 17)
- In Brazil sugar can growers become fuel farmers (NYT, May 24)
- Oil industry refining squeeze limits price relief (WSJ, May 24)

5. River and Snow Pack Information (Updated: May 25, 2005)

- Observed Apr. stream flow at The Dalles: 78.5% of average,
- Observed Apr. precipitation above The Dalles: 101% of average,
- Snow pack as % of average, Apr. 2005: 64%.
- Forecast Jan.-July 2005 runoff at The Dalles: 80 MAF, 75% of normal,
- Federal hydropower generation in Apr.: 6,709 aMW, 1995-2002 average: 9,560 aMW.

6. Energy Conservation Achievement (Updated: Feb. 11, 2004)

- State Agencies: From Oct thru Dec 2003 electrical usage was 9% less and natural gas usage was 21.3% less compared to the same period in 2000.

7. Power Exchanged: (Updated: May 26, 2005)

- Average flow of power during the last 30 days
  - California (exported to) 2,713 MW
  - Canada (exported to) 886 MW
  - Net power export: 3,599 MW

Biodiesel picks up speed

A growing fuel alternative. As gas prices skyrocket, biodiesel is gaining ground

John Stucke May 22, 2005

In early May, John Plaza produced the first gallons of biodiesel commercially refined in the Northwest, an event that could mark a turning point for alternative fuels in the region.

Plaza's fuel refinery, located in Seattle's industrial area, is the culmination of years of work – a project the retired commercial airline pilot believed in so strongly that he has emptied his life savings and mortgaged his home to get it running.

The refinery is not large, but it embodies promise; perhaps it will be part of the answer to stubborn problems of toxic vehicle exhaust and foreign oil dependence.

The Northwest has lagged in the national biodiesel movement, despite the myriad efforts of government and business.

But skyrocketing gas and diesel prices, tax incentives for alternative fuel and pressure for renewable fuel standards may finally be a catalyst for change.

Consider this: Americans spend about $200,000 a minute on foreign oil. Of the 20 million barrels of oil used each day, half is imported. And the dependence is poised to grow, according to the U.S. Department of Energy.

In two decades, U.S. demand for oil is expected to grow to 27.9 million barrels a day, of which more than 68 percent will be imported, according to the DOE.

While disheartening to many, the numbers represent urgency and opportunity, said Plaza, whose Seattle Biodiesel LLC refinery has plans to produce 5 million gallons a year.

That amount could be easily guzzled in Washington alone.

Five years ago, there was little if any biodiesel used in the state. This year, more than 5 million gallons will be used.

In the Seattle area, many city and school buses run on biodiesel. It's used on state ferries and by Naval Station Everett.

In Spokane, biodiesel powers Central Valley School District buses as part of a pollution-abatement program.

Though biodiesel emissions contain more smog-producing nitrogen oxide than petroleum diesel, the levels are negligible when compared with the overall pollution each fuel produces.

Ron Edgar, chief of technical services for the Spokane County Air Pollution Control Authority, said the agency is more concerned about toxic emissions in diesel exhaust.

"We look at biodiesel as much cleaner and we support their efforts," he said.

Motorists in the Spokane area can pump a blend of 20 percent biodiesel and 80 percent petroleum diesel at the Pacific Pride card-lock station at the corner of Appleway Avenue and Barker Road in Spokane Valley.

Last week the biodiesel blend, called B-20, was selling for $2.61 a gallon, while petroleum diesel sold for $2.59 a gallon.

The 2-cent price difference, said Pacific Pride manager Chris Herron, was as close as the two fuels have ever been.

It all adds up to an opportunity for Eastern Washington, said Terry Morgan. As a farmer near Rosalia, south of Spokane, he's active in efforts to find ways to bring biodiesel to Eastern Washington.

The potential for farmers is grand — for evidence, one need to look no further than the success of Midwest soybeans, now used in everything from fuel and ink to food and solvents.

Grain farmers in Eastern Washington could conceivably include oilseed plants such as canola, mustard or rapeseed, in their crop rotations, Morgan said. These yellow-flowering crops would then be harvested and hauled a short distance to small crushing operations.

Oil extracted from the crushers could be sent to refineries such as that belonging to Plaza, or others that could be built in Eastern Washington. The mash left over from the crushing could be sold as cattle and hog feed. And some of the oil could be turned into other, higher-value products such as lubricants.

It's all a big what-if, Morgan said, acknowledging there are many obstacles, some logistical and others political.

"There are some involved who want to lead, and the others, well, they don't necessarily want to be led," Morgan said. "Overall, farmers around here may not be as interested in all of this as the (Spokane County Conservation District.)"

The SCCD has been at the forefront of public relations efforts pushing biodiesel. Employees can be seen zipping about town in the bright green "Bio-Bug," a diesel-powered Volkswagen Beetle that extols the virtues of biodiesel.

But farmers, already battered by low wheat prices and soaring costs for fuel and fertilizer, aren't about to risk their operations by planting oilseed crops until they can pencil out a profit, Morgan said. The federal Farm Service Agency reported that last year Washington farmers planted fewer than 10,000 acres of oilseed crops — far from the hundreds of thousands of acres envisioned to support a biodiesel industry.

Oilseed crops are expensive to grow and there are few markets for them locally.

Soybeans are out because they don't grow well in the Northwest.

"Call it the chaos of a fledgling industry," said Tim Stearns, senior energy policy specialist with the Washington Department of Community, Trade and Economic Development.

"The good news here is that we have opportunity and interest," he said. "But realistically, there's a lot of chicken and egg going on."

He said farmers won't grow the oilseed crops until markets and a profitable business model are established. Crushers, in turn, won't be built until markets and a steady supply of crops are established. And refineries won't be interested unless they can be guaranteed of a steady supply of oil.

Plaza said he would like to buy oil from Eastern Washington farmers for his Seattle refinery, but the price would have to be competitive with soybean oil from the Midwest. Right now, canola would cost the refinery 10 cents to 12 cents more per pound to buy than soy. By the time canola is turned into biodiesel, it will cost 70 to 80 cents more per gallon to produce than biodiesel made from soybeans.

The biodiesel equation all comes down to "making it work moneywise," Stearns said.

The key, say Stearns, Morgan and many others interviewed, is the development of markets for the byproducts of making biodiesel.

The main residual material is glycerin. "If we don't figure out high-value uses for glycerin, all of our efforts may be for naught," he said.

Glycerin can be used to make soap, cosmetics, plastics, rubber products, shoe polish and household cleaners.

Furthermore, canola mash left over from the crushing operation might be turned into cattle and hog feed.

If mustard is grown, residual material could be used to make fumigants for gardeners and landscapers.

Research into such products is being conducted by scientists at Washington State University and the University of Idaho.

Stearns said he's confident that a new state industry around oilseed crops is possible and predicts it may be five to 10 years out.

Plaza, meanwhile, is busy as the state's only biodiesel refinery, making the fuel in old tanks from the defunct Rainier Brewery.

He's speaking with farmers and people interested in setting up crushing operations, including Steve Stetner of Ephrata.

Stetner, who runs a potato seed-cutting business in the Columbia Basin, said he has purchased old crushers and might be six months away from starting an operation in the town of Quincy.

Similar efforts that have been proposed in the region, however, have not borne out.

"It's a tough nut to crack," Plaza said of Eastern Washington's efforts. "We think the ability and an interest is there, but there's so much hesitation. I think a lot of farmers around here have been sold a bill of goods in the past and they're not about to let it happen again."

Added Morgan: "There's so much being talked about right now. Who knows?"

About biodiesel

• *Biodiesel is nothing new.* It's basically vegetable oil from crops such as soybeans and canola. The oil is refined into fuel by a chemical process so simple that devoted amateurs have brewed small batches of biodiesel inside their garages for years.

• *The earliest engines* developed by German inventor Rudolph Diesel ran on vegetable oil, not petroleum. Today in Germany, half of all vehicles burn diesel fuel – much of it biodiesel.

• *Country singer Willie Nelson* fuels his tour buses with his brand of "BioWillie." His biodiesel is sold at truck stops across Texas.

• *Last week President Bush* toured a Virginia biodiesel refinery and called it among the nation's most promising alternative fuels and one tool that could help lower dependence on foreign oil.

U.N. Climate Talks Start Hunt for Kyoto Successor

May 17, 2005 — By Alister Doyle, Reuters

A U.N. meeting took a tiny first step on Monday towards finding a successor to the Kyoto protocol on global warming, with calls for the United States and developing nations to take part after 2012.

But India, China and Brazil told rich nations to do more to keep promises of cuts in their own emissions of heat-trapping gases before trying to widen the accord. They also urged the rich to provide more aid and non-polluting energy technologies.

"We need common solutions for the most serious environmental challenge of our time. Climate change is already a harsh reality," German Environment Minister Juergen Trittin said at the opening of the two-day seminar of experts from 190 nations.

"Climate protection must not end in 2012. Companies and investors want to plan beyond 2012," he said.

Kyoto entered into force on Feb. 16 after years of delays and weakened by a pullout by the United States, the world's top polluter. The informal Bonn seminar is a first step to start considering what to do after it runs out in 2012.

Under Kyoto, rich nations are meant to cut emissions of heat-trapping gases from power plants, cars and factories by 5.2 percent below 1990 levels by 2008-12 to try to slow what many scientists say could be catastrophic climatic changes.

"This is a global problem -- we can't let the United States stay out," Argentine Environment Minister Gines Gonzalez Garcia said. Australia, the other main outsider, must also join.

He said developing nations also needed to consider how they could take part in future without stifling economic growth. Under Kyoto, rich nations are meant to take the lead as the main source of pollution since the Industrial Revolution.

TEMPERATURES RISE

A panel of scientists that advises the United Nations projects that world temperatures are likely to rise by 1.4-5.8C (2.5-10.5F) by 2100, triggering more frequent floods, droughts, melting icecaps and driving thousands of species to extinction.

President George W. Bush pulled out of Kyoto in 2001, saying it was too costly and wrongly excluded developing nations from the first period. He said more research was needed.

"U.S. climate policy recognises ... the need to take near-term actions, while maintaining economic growth that will improve the world's standard of living," U.S. climate negotiator Harlan Watson told the seminar.

He did not outline any goals beyond 2012. Watson said Washington was spending $5.2 billion in 2005 alone on climate and energy scientific research and on energy tax incentives.

Big developing nations, which have no targets to 2012, said rich states had to do more to set an example.

"Emissions are still rising (in rich nations), transfers of finance and technology (to the poor) are minimal," Indian delegate Surya Sethi said. And he said India needed economic growth of eight percent a year to reduce poverty.

Spain, Portugal, Ireland, Greece, New Zealand and Canada are among Kyoto backers further above 1990 emissions levels than non-participant the United States. Emissions by Spain and Portugal, for instance, are 40.5 percent above 1990 levels.

"We hope that (developed nations) will honour their commitments," China's head of delegation Gao Feng said. "The extent to which they do will influence actions in the future."

He also urged more aid to promote energy efficiency and help a shift to use of renewable energies like solar or wind power.

"The best way to ensure post-2012 is to ensure now the success of the Kyoto protocol," Brazil's delegate Andrea Correa do Lago said.

In Brazil, Sugar Cane Growers Become Fuel Farmers

By TODD BENSON NYT May 24, 2005

CATANDUVA, Brazil - Not long ago, residents of this lush cane-growing region in southern Brazil needed to keep a close eye on the price of sugar in world markets to know if the local farmers were hiring or firing.

These days, however, most people in this small farming town seem more preoccupied with the price of oil. And with good reason. Ever since global oil prices started their staggering climb early last year, demand for inexpensive alternative fuels like cane-based ethanol has skyrocketed, helping to line the pockets of Brazilian cane farmers while also making them less vulnerable to the swings of the sugar market.

"Ethanol is on its way to becoming a commodity just like oil, and the price of oil is one of the main reasons why," said José Fernandes Rio, a director at Usina Cerradinho, one of eight sugar mills and ethanol distilleries scattered around Catanduva, which is spending heavily to increase production.

The growing demand for ethanol - or alcohol, as most Brazilians call it - is fueling an investment boom in Brazil's sugar cane industry not seen since the oil crisis of the 1970's.

Back then, the country's military dictatorship sought to reduce dependence on costly foreign oil by offering lavish subsidies and tax breaks to sugar millers to refine cane into ethanol, while also financing the construction of a nationwide distribution network for the fuel.

Though oil jitters are once again helping to drive the current wave of investment in Brazil's sugar industry, this time the government is not picking up the bill. Flush with cash from a recovery in global sugar prices in recent years, many millers are spending their own money and borrowing from banks to increase production and upgrade port terminals, mills and distilleries to improve service to foreign markets.

According to a recent survey by ProCana, a research group in Ribeirão Preto that tracks the sugar and ethanol industry, 12.5 billion reais ($5.1 billion) has already been earmarked for 40 new mills and distilleries over the next five years. Most of that money will be spent here in western São Paulo State, a region that is already home to dozens of sugar mills, generating close to 100,000 jobs in an industry that employs more than a million people.

"Of all the different investment waves that the industry has had, this is clearly the most solid one of all," said Maurílio Biagi Filho, an executive at CrystalSev, a large sugar and ethanol conglomerate that is putting the finishing touches on a $10 million ethanol terminal at the port of Santos.

"People have money to invest, and both domestic and external demand is on the rise," added Mr. Biagi, whose family has been in the sugar business since 1920. "All the ingredients are there."

Not long ago, ethanol's future did not look so bright. In the heyday of the government's pro-alcohol campaign in the mid-1980's, ethanol-only cars accounted for almost 90 percent of new-auto sales in Brazil. But domestic ethanol consumption started declining steadily in 1990, when a poor cane harvest and high sugar prices caused an alcohol shortage that enraged drivers, prompting many to switch back to cars powered by gasoline.

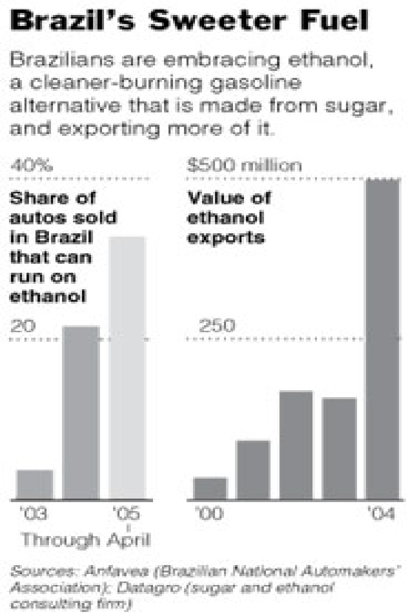
Then, three years ago, Volkswagen began selling cars in Brazil that run on either gasoline or ethanol, or any combination of the two. Lured by the low cost of alcohol - it sells for almost half the price of gasoline - Brazilians have been buying these so-called flex-fuel cars in droves, helping to revive the domestic ethanol market.

Today, all major automakers in Brazil offer these hybrid vehicles, which now represent 33 percent of new-car sales, a figure that some analysts predict could reach 80 percent by the end of next year.

Thanks to the popularity of flex-fuel engines, domestic ethanol consumption is expected to jump 50 percent in the next five years, meaning that a growing percentage of the country's annual cane crop will be used to make fuel. This season, for example, a record 57 percent of the harvest is expected to go to ethanol production, up from less than half in recent years, according to Datagro, a sugar and ethanol consulting firm based in São Paulo.

"People used to say that our only chance to sell more ethanol was to increase exports," said Eduardo Pereira de Carvalho, president of Unica, the country's largest association of sugar and ethanol producers. "That changed overnight with flex-fuel cars."

Because no other country has an ethanol distribution network as extensive as Brazil's, it is unlikely that flex-fuel cars will become an international trend any time soon. But with world oil prices hovering around $50 a barrel, governments around the globe are looking for ways to replace gasoline with ethanol.



Almost a dozen countries, including Canada, Sweden and the United States, have already begun blending ethanol with gasoline, a practice that has been mandatory in Brazil for years. This helps keep a lid on prices at the pump while also reducing fuel emissions, a requirement for nations that signed environmental treaties like the Kyoto Protocol.

Other countries, like Australia and Thailand, are turning to Brazil for help to develop their own ethanol industries to feed demand for affordable energy in Asia, especially from China. India, the world's No. 2 sugar producer after Brazil, is also scrambling to spread the use of ethanol to reduce its reliance on foreign oil as its auto fleet expands along with its middle class.

For now, Brazil, with its low production costs, plentiful land and well-established ethanol industry, is benefiting the most. Last year alone, for instance, its ethanol exports tripled to almost $500 million as oil prices soared, with the United States and India topping the list of importers.

And as pressure mounts on the European Union to comply with the World Trade Organization's order that it do away with sugar subsidies, making sugar production less profitable there, more foreign sugar producers and trading houses are likely to set their sights on Brazil to keep their businesses alive.

Oil Industry's Refining Squeeze Limits Prospects of Price Relief

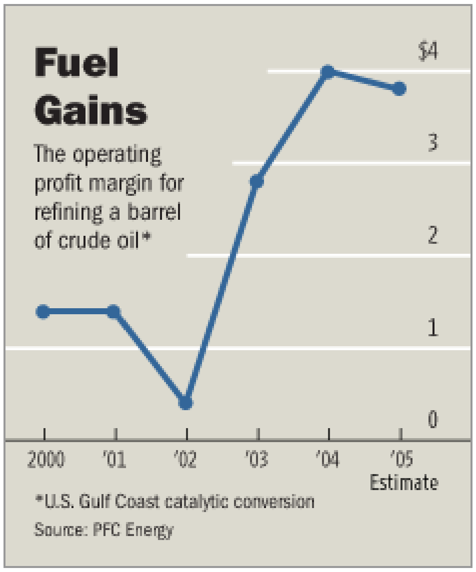
By BHUSHAN BAHREE and THADDEUS HERRICK , THE WALL STREET JOURNAL, ***May 24, 2005***

Even if high oil prices ease, prospects for cheaper gasoline, diesel and jet fuel are likely to be limited for at least several years by a growing global problem: a severe crunch in refining capacity.

Previously, the shortage of plants to refine and process crude oil into usable products has been largely a problem for the U.S., by far the world's largest oil consumer. But growing demand for oil from China, India and other rising powers is aggravating the shortfall in refining and threatening to keep prices elevated for years.

Global demand is expected to grow by nearly two million barrels a day this year -- from 82.5 million barrels a day last year -- but the world's capacity to refine and process crude oil is expected to grow by less than half that.

As a result, the recent move by the Organization of Petroleum Exporting Countries to crank up production of crude oil to nearly its limit isn't likely to translate into major price cuts for consumers any time soon. That could keep pressure on airlines, auto makers, trucking lines and other industries particularly sensitive to prices of oil-based fuels.



It's a problem that the world's energy and economy czars are focusing ever more closely on. "There is a bottleneck in refining world-wide," said Saudi oil minister Ali Naimi, the effective leader of OPEC, in a recent interview. He suggested that until the bottleneck is eliminated, demand for refined products will keep pressuring oil prices. Mr. Naimi's country has been under political pressure over the rise in oil prices.

Last week, Federal Reserve Chairman Alan Greenspan warned in a speech that "besides feared shortfalls in crude-oil capacity, the status of world refining capacity has become worrisome as well."

Oil prices began a long climb in early 2004 amid fears of a supply shortage and instability in the Middle East, rising as high as $58.28 a barrel on April 4 on the New York Mercantile Exchange. They have trended downward since then, but remain volatile; yesterday, the price of a barrel of oil delivered in July closed up 51 cents a barrel, at $49.16. Adjusted for inflation, oil prices remain well below the highs reached during the crunch of the late 1970s and early 1980s.

Some of the recent drop in crude-oil prices has translated to the pump. Since April 11, the price of a gallon of regular unleaded gasoline in the U.S. has fallen about 6%, to $2.13 this week, though it remains up six cents from a year ago.

Moreover, the rise in crude-oil prices has hit other types of refined products even more severely. Jet fuel has been about $1.44 a gallon in recent days on the New York Harbor, where it is traded, down from $1.75 on April 1 but still up 47% from a year ago. Diesel fuel currently costs about $2.16 a gallon, down from $2.32 in mid-April but up from $1.75 a year ago.

A slowdown in the world economy could reduce demand for gasoline and other refined products. But the economy continues to grow despite soaring energy prices, and demand for oil remains on the rise. Many industry analysts are forecasting a second peak in crude-oil prices later this year, to more than $60 for a barrel of U.S. benchmark crude, because of tightening refining capacity.

"We don't know if they [refiners] can meet demand for the right products in the fourth quarter," says Roger Diwan, an analyst at Washington, D.C.-based PFC Energy.

Industry analysts say the refining shortage hits especially hard in the U.S. Refiners here haven't built a new plant since 1976, and remain reluctant to do so for a variety of reasons, including public resistance, expected returns on investment and environmental regulations.

In February, the most recent month for which figures are available, the U.S. imported about 12.5% of its gasoline -- nearly three times as much as a decade ago. Much of it comes from Europe, where motorists have been shifting to diesel-powered autos. In coming years, India and China are likely to slurp up more imported gasoline and diesel.

Though Saudi Arabia and other countries are adding refineries, it can take years to expand existing facilities and much longer to build new ones. Consequently, industry analysts and OPEC officials expect the refining crunch to keep product prices high until 2008 at the earliest. Global demand for oil products is once again expected to outpace refinery capacity growth next year.

"The first year that the situation could change is 2007," says Lawrence Goldstein, president of New York-based Petroleum Industry Research Foundation. He estimates that demand for oil products grew by 4.6 million barrels a day in 2003 and 2004, while refinery capacity grew by only 700,000 barrels a day.

Tight refining capacity has been an often overlooked factor in the rise in oil prices in the past 18 months. The world has plenty of so-called heavy crude -- much of it in Saudi Arabia -- but most refineries around the world aren't equipped to handle this high-sulfur oil.

Even when plants can refine heavy crude, it's a more costly process than refining light crudes, which are lower in sulfur and easier to refine but less widely available. As a result, refiners are in a bidding war for light crudes -- pushing their cost up. (Refined heavy crude also tends to sell at a better price for refiners than light crude.)

Contributing to the pressure, countries around the world have been tightening emissions standards for diesel and gasoline. Many refineries, especially in developing nations, aren't equipped to meet their standards.

In part, that's because refining was long an industry stepchild, earning modest profits at best because of the world-wide glut in capacity. Until the recent crunch, many of the world's biggest oil companies were reluctant to invest in refining. Some even shed such operations over the years, directing investment dollars to the much more profitable business of finding and producing crude oil.

Today, the squeeze is proving to be a bonanza for refiners. Valero Energy Corp., the U.S. refining giant, expects its financial results for the second quarter, historically a weak period for refiners, to be the best for the period in its history.

The refiners' advantage shows up best in the refining margin -- that is, the difference between the price of refined products like gasoline and jet fuel and that of a barrel of crude oil. Since 2003, refining margins have been rising for all kinds of oil products, most sharply for diesel fuel, jet fuel and heating oil.

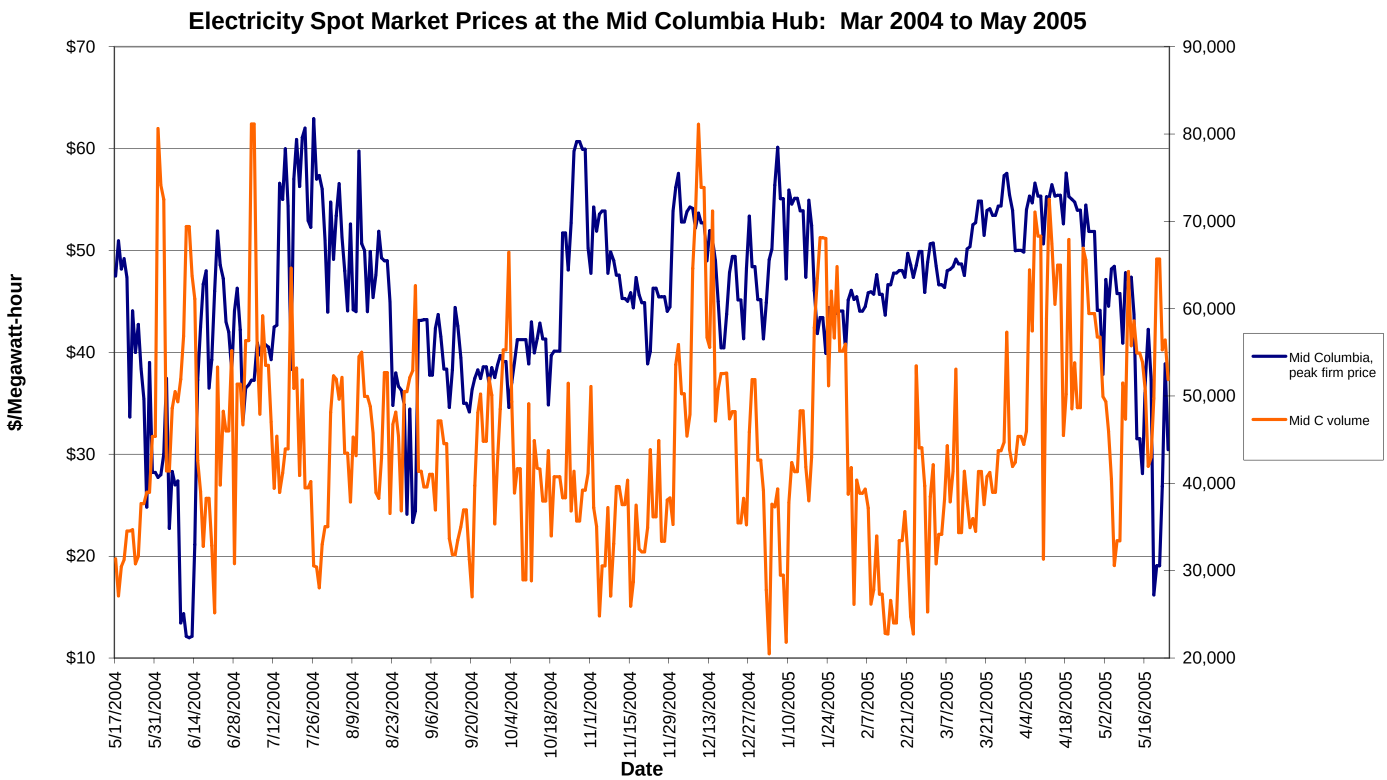
The current refining margin for gasoline in the U.S. Gulf Coast, for instance, is $7.64 for a barrel of benchmark West Texas Intermediate -- a type of light, sweet crude. That's more than double the average of $3.66 a barrel from 1994 through 2003, according to Aaron Brady, an analyst at Cambridge Energy Research Associates of Cambridge, Mass.

Margins for diesel fuel are in the stratosphere, especially abroad. Refiners in the Netherlands, using a type of oil known as North Sea Brent Crude, had margins of $16.25 a barrel in the first quarter, compared with $13 in 2004 and an average of $5.80 in the period from 1998 to 2003.

Given such margins, Philip K. Verleger, a senior fellow at the Washington-based Institute for International Economics, says truck drivers in the U.S. may see diesel prices rise to $3 a gallon this winter, and to $4 a gallon in winter 2006.

State Energy Price Summary

Most energy/fuel prices declined last week. Crude oil however was up several dollars per barrel as US inventories fell, while gasoline and diesel prices continued to edge downward both nationally and regionally: state (average) gasoline and diesel prices were down 4 and 6 cents per gallon respectively for the week. Natural gas prices declined for the sixth week in a row. Spot electricity prices tumbled on the Mid-C trading hub dropping to as low as $10.5/Megawatt-hour in intra-day trading. Such drops in spot market electricity prices are not uncommon in late May or early June when there is little electricity demand for either space heating or cooling.



Thursday June 8, 2005, 2005

Weekly Energy Status Report

1. Northwest Power Pool Status (WA, OR, ID, MT, WY, UT, No. NV, BC, AB)

- Power Pool peak load (6/7): 42,113 MW
- Reserve margins were within comfortable ranges for Northwest Power Pool utilities.

2. Electricity, Petroleum and Natural Gas Prices

• Weekly Range at Mid-C:	$19 - 41 per MWh, Ave. = $32.9
• Approximate change from previous week	$ +5.6 per MWh
• "Normal" price range, before 5/00	$20-$40 per MWh
• Petroleum, West Texas Intermediate:	$53.77 per barrel (year ago: $37.55)
• Seattle gasoline price (6/7)	$2.35 per gallon (year ago $2.34)
• Natural gas, Sumas Hub:	$5.35 per million British Thermal Units (year ago $5.40)
• Approximate change from last week.	Oil: +2.14 $ per barrel; Nat. gas: -0.04 $ per MMBtu

3. California Electricity Situation

- CA ISO Alert Status
  - July 22, 2004: Third consecutive day of record electricity use.
  - A stage 1 alert, due to an unexpected heat wave, was declared on Mar. 31, 2004.
  - 20 minute outage in So. Cal. on March 8, 2004 due to operator error.
  - Most recent rotating blackouts: Tuesday, May 8, 2001

4. Energy News Headlines from around the Nation

- State turned a vital corner on path to clean energy (Seattle PI, May 29)
- Solar power heats (WSJ, June 2)
- State-sought waivers on ethanol rejected by EPA (Assoc. Press, June 3)
- World scientists say humans causing global warming (Reuters, June 8)

5. River and Snow Pack Information (Updated: May 25, 2005)

- Observed Apr. stream flow at The Dalles: 78.5% of average,
- Observed May precipitation above The Dalles: 185% of average,
- Snow pack as % of average, May 2005: 67%.
- Forecast Jan.-July 2005 runoff at The Dalles: 80 MAF, 75% of normal,
- Federal hydropower generation in Apr.: 6,709 aMW, 1995-2002 average: 9,560 aMW.

6. Energy Conservation Achievement (Updated: Feb. 11, 2004)

- State Agencies: From Oct thru Dec 2003 electrical usage was 9% less and natural gas usage was 21.3% less compared to the same period in 2000.

7. Power Exchanged: (Updated: June 7, 2005)

- Average flow of power during the last 30 days
  - California (exported to) 3,160 MW
  - Canada (exported to) 822 MW
  - Net power export: 3,982 MW

State turned a vital corner on path to clean energy

By K.C. GOLDEN GUEST COLUMNIST, Seattle PI, May 29

Washington's transition to a clean energy economy shifted into high gear this year with an impressive package of forward-looking legislation coming out of Olympia. Bipartisan majorities delivered clean cars, high-performance buildings, efficient equipment and solar energy incentives.

The timing couldn't be better. These clean energy policies will help us reduce the economic and military costs of oil imports, which are siphoning the strength out of our economy. Meanwhile, climate disruption -- caused by burning fossil fuels -- is melting our snowpack and threatening our food, energy and water supplies. Like most crippling addictions, our fossil fuel dependence is reaching an ugly dead end.

It's also a time of great promise for economies that get ahead of the clean energy curve. The alternatives to fossil fuels are coming of age: Smarter, cleaner energy solutions are becoming widely available and affordable. Renewable energy sources and efficient energy systems are emerging as bright lights on our economic horizon.

We stand at a crossroads. By embracing smart, efficient energy choices, we can position Washington for success in the clean energy economy of the future. Or we can prolong our dependence on fossil fuels and face an increasingly costly tangle of economic, environmental and security problems.

So the 2005 Legislature will be remembered for turning Washington toward the clean energy path. Our vehicles, buildings and equipment will be more resource-efficient -- keeping more energy dollars circulating through the state's economy instead of sending them to Houston or Riyadh. And our clean energy industry will grow -- especially in rural areas, which will profit from harvesting renewable resources for energy-hungry cities.

The Clean Car bill was heralded as a major environmental achievement. But it's much more than that. In the future, new cars will consume less fuel and produce less pollution. They'll cost less to own and operate. They'll reduce our dependence on oil.

Clean cars will help us fix a gaping hole in our economy. Currently, Washington spends more than $20 million every day to import oil and gas; that's more than the state spends on K-12 education. As the parent of two school-age kids, I can't help but wonder what that money could do for schools if we weren't wasting so much on fuels. Saving just one day's worth of oil and gas imports in Washington would save enough money to pay off the Seattle Public Schools' budget shortfall.

Clean car standards are a classic win-win situation. Citizens all over the state, legislators from both parties and a wide spectrum of businesses, civic groups and local governments worked together to pass them.

In our political culture, it's all about the war between special interests. The story of any particular battle is a tale of winners and losers.

Early in the legislative session, it became clear that both the facts and the people were behind clean cars. So the automakers mounted a huge advertising campaign to mislead consumers about the costs and benefits. The media -- sensing a good old-fashioned tug-of-war between environmentalists and the car industry -- amplified the conflict.

So we heard the same tired old story about a zero sum game between the economy and the environment. The story wasn't true; the facts showed clearly that clean cars deliver less pollution and lower costs for consumers and businesses. It doesn't matter if your political perspective is red or blue, rural or urban, pinstriped or green: Cars and trucks that cost less to own and operate, pollute less and reduce fossil fuel dependence make sense for everyone!

Yes, the conservationists won. And so did farmers, who will get trucks that do more work for less money. So did businesses, which will enjoy lower costs and fewer air quality restrictions. Asthma-sufferers won. Car enthusiasts won. Arguably, even the U.S. auto industry won: Stronger emission standards might help them deliver better technology and regain their competitive edge.

"We all won" may not be the story the news media like. But it's the true story about clean cars. And it's the true story about the new solar incentives, which are expected to attract a manufacturing business to Republic, providing a boost to North Central Washington's struggling economy. It's the true story of green buildings, which will cost less to operate, improve productivity and reduce waste. It's the true story of equipment efficiency standards, which will save consumers $460 million by 2020 and significantly reduce global warming pollution.

Best of all, there's plenty more where this story came from. There's a whole world of opportunities to build a healthier, more prosperous future with smarter, cleaner energy technologies: renewable fuels such as biodiesel, efficiency upgrades, renewable power, better cars, and better alternatives to cars. Somebody's going to make a mint marketing these technologies, and we're all going to save money and breathe easier when we can buy them.

Heaven knows it won't be too soon. The costs of fossil fuel dependence -- the security risks, the economic hemorrhaging, the environmental destruction -- are becoming unbearable. Reducing that dependence is one of the very best things we can do to improve the conditions for peace and security in a world where energy politics inflame international conflict. It's one of the best things we can do to save money today and create a sound economic foundation for our kids' prosperity. And it's what we absolutely must do to protect the climate.

The transition from an obsolete fossil fuel economy to a thriving clean energy economy is our generation's defining challenge, our greatest opportunity. But we cannot rise to this challenge if we stay stuck in the well-worn ruts of political identity -- east vs. west; left vs. right; Republican vs. Democrat; environment vs. economy. We're going to miss the boat if the only story we've got is "us versus them."

It's a familiar story, this battle among special interests. But it's useless. It enriches political consultants and it spices up talk radio, but it gets us nowhere and we can't afford to go nowhere. We've got a fossil fuel age to end and a new, clean energy economy to build. We need a much richer, more constructive story -- a story that multiplies, not divides.

The 2005 Legislature gave us a glimpse of that more hopeful story. It's a story about a unifying vision of healthy, prosperous communities. It's about good jobs in businesses that produce clean energy and smart transportation systems. It's about building stronger local economies by using energy efficiently. It's a story that features clean cars, high-performance green buildings, solar incentives, and equipment efficiency standards -- and those promising initiatives are just the first chapter.

Gov. Christine Gregoire and legislators from both parties deserve tremendous credit for telling this story loud and clear. In 2005, they passed energy policies that deliver -- not for one special interest or the other -- but for all of Washington, and for our future.

These are everybody's wins, and that's why there will be many more like them.

Solar Power Heats Up

Sales of Panels Rise Sharply, As States Expand Tax Breaks, Installation Costs Drop

By JOSEPH PEREIRA, THE WALL STREET JOURNAL, *June 2, 2005*

Tired of paying $140 a month in electric bills, Frank Corradi decided to do something about it. So last December, he had part of the roof on his four-bedroom colonial covered with solar panels.

Today his suburban Cedar Grove, N.J., home is a mini power station. Not only does it produce enough electricity to run the household, it also generates about $170 in cash roughly every six weeks for Mr. Corradi under a state program that rewards developers of clean energy. "That's a treasure sitting up there on my roof," says the 43-year-old financial analyst.

Once almost the exclusive domain of the ecologically minded, solar electricity, also known as photovoltaic power, is starting to attract pragmatists simply looking for a way to cut their electric bill. Installation costs have fallen sharply in recent years, at the same time that states have been expanding their tax breaks and rebates. Mr. Corradi's project, which cost about $50,000, would have come at about twice that amount just a decade ago. In addition, various incentives covered more than two-thirds of his out-of-pocket costs.

Solar Resources

Where to find information about home-based solar electricity:

- **Database of State Incentives for Renewable Energy ***
  www.dsireusa.org
  A clearinghouse for financial incentives offered by various states.
- **North Carolina Solar Center**
  www.ncsc.ncsu.edu
  Provides a good primer on some technology basics and how solar power works.
- **Solar Energy Industries Association**
  www.seia.org
  Information on solar manufacturers and contractors.

*a federally funded project at North Carolina State University
Source: the sites

Incentives such as these are expanding quickly and are now available in more than 30 states, including California, New York and Texas, up from just four in 1999. (A list of states and incentives is at dsireusa.org.) The states are looking for creative ways to offset heavy consumer demand for electricity, without building new fossil-fuel-burning power plants. Typically, the incentives are funded by alternative-energy surcharges on utilities bills.

It is happening as power costs are rising in a few solar-friendly places, such as Dallas and Houston, where electric bills have jumped nearly 50% in the past three years. Nationwide, electricity prices have generally remained stable despite rising petroleum and natural-gas prices, partly as utilities have turned to cheaper energy sources such as coal and nuclear power.

About 300,000 homes are equipped with solar electricity nationwide, according to a government analyst, up from fewer than 100,000 about five years ago. Manufacturers' sales of residential solar panels climbed 28% to about $500 million last year and are expected to rise another 20% this year, says the Solar Energy Industries Association trade group.

In California, where Gov. Arnold Schwarzenegger is a solar fan, installations jumped 53% under the state's rebate program last year, to 4,614 residences. California rebated $69.3 million to customers under the program, and the California Energy Commission says application approvals this year are running about 25% ahead of last year.

California also is considering a bill, pushed by Gov. Schwarzenegger, that would provide additional solar incentives for homeowners and businesses, aimed at attaining a goal of "a million solar roofs" in 13 years. The bill is opposed by Southern California Edison, which argues that the initiative would place an extra burden on ratepayers, particularly nonsolar customers whose surcharges would support installations.

Of course, solar panels on the roof aren't for everyone. To begin with, the financial attractiveness depends on a range of factors, including local electricity prices and the availability of incentives -- not to mention the amount of sunlight that falls on your house. The best place to be is in a southern, relatively dry climate such as Texas or Nevada. Other parts of the country, such as Pennsylvania and Washington, are less favorable due to extended periods of cloudy days. Maine, for instance, receives 20% less sunlight than San Diego.

Another problem is a lack of easily accessible information. The wide availability of incentives isn't well-known to consumers, partly because utilities aren't eager to market them. After all, more solar users could mean less revenue for them.

The cost-benefit ratio is improving. The SEIA trade group estimates that wholesale price of solar-power systems fell to $3.60 a watt of generating capacity last year, from $5.31 a decade earlier. A typical suburban home needs a 2.5 to 3-kilowatt system, costing from $19,000 to $22,500, after installers add their mark-up. With an electricity bill of, say $1,000 a year, most people would consider the installation cost too high to justify the savings. That is where the incentives can make a difference.

For instance, Mr. Corradi's home state, New Jersey, paid him $5.50 for each watt of generating capacity in his system. That alone covered about $35,000 of the $50,000 cost. Mr. Corradi figures he will recoup the $15,000 balance in four to five years through savings on electric bills and via special "credits" earned under a state program that amounts to a sort of frequent-flier mileage program designed to reward producers of nonpolluting energy. A typical system has a life expectancy of 30 years.

New Jersey offers the most generous outright rebates. California -- which was one of the first to offer incentives, starting in 1999 -- has a more lucrative program, although it is structured partly as a tax credit. It covers $2.80 a watt of generating capacity, and adds a tax-credit equivalent to $4.50 a watt. Connecticut and Ohio pay $5 a watt, Nevada pays $4 and Oregon up to $3.50. Idaho, which offers no rebate, allows homeowners a 100% tax deduction up to $20,000.

The rebates and incentives are paid out in a variety of ways. In some cases, the state directly reimburses the company that does the installation. In other states, such as California, homeowners have to apply to a state agency to get their rebate.

However, rebate money can be limited, typically by the amount collected through the alternative energy surcharges. Once the surcharge fund is used up for the year, a state stops paying, and often will stop taking applications.

State officials advise getting rebate applications as early in the year as possible; late filers may have to wait until the next fiscal period to be reimbursed.

Wyoming, which has seen a doubling of applicants to 24 this year for its small program, has exhausted its rebate fund and is putting new applicants on a wait list, says Dale Hoffman, a state energy manager. The District of Columbia, with a rebate budget of $180,000, isn't accepting any more applications for 2005, either.

In New Jersey, 280 installations qualified for rebates last year, and the state is expecting the number to double this year. It already has received 400 applications in 2005 and can accommodate more. It expects to use about $50 million of the $85 million available for the program.

Another important consideration is whether local laws enable home generators to sell their electricity back to the local utility. Known as "net metering" clauses, such regulations are critical for someone who wants to install photovoltaic panels on their home (or, for that matter, any other form of electrical generator, such as a windmill). Not only does net metering enable a homeowner to sell excess power back to the utility, it also enables a homeowner to draw power from the utility at times when the solar panels aren't generating enough electricity. (Such as when it is dark outside.)

Thirty-nine states mandate net metering. But even some sunny states don't, including North Carolina, Missouri and Nebraska.

State-Sought Ethanol Waivers Rejected by EPA

June 03, 2005 — By John Heilprin, Associated Press

Motorists in California, New York and Connecticut will have to continue using corn-based ethanol in their gasoline to cut air pollution at an extra cost of up to 8 cents a gallon.

The three states had asked the Environmental Protection Agency to waive a 1990 requirement in the Clean Air Act that gasoline contain an oxygenate _ either ethanol or MTBE _ to help fight air pollution.

In a boost to corn and ethanol producers, EPA Administrator Stephen Johnson decided Thursday that the states had not shown that using an oxygenate has prevented or interfered with their ability to meet federal air standards.

The agency said it considered other factors, including "increased energy security and support for rural and agricultural economies." Critics accused the agency of playing "ethanol politics."

Oxygenate additives on average increase the price for gasoline by 4 cents to 8 cents per gallon, the EPA estimates. But the benefits include at least 100,000 tons per year fewer smog pollutants nationally. That is equivalent to the tailpipe emissions of 16 million vehicles.

Federal law requires that the gasoline used in certain metropolitan areas with the worst smog contain 2 percent oxygen by weight. The law does not say which oxygenate must be used, but most refiners use either ethanol or methyl tertiary butyl ether, known as MTBE. Only ethanol is used in California, New York and Connecticut because they banned MTBE, which has been found to pollute groundwater.

Lawmakers from the affected states were disappointed by the EPA's decision.

"With gas prices already through the roof it is unconscionable for the EPA to play ethanol politics," said Sen. Charles Schumer, D-N.Y. "There are many other ways to keep the air clean without using ethanol, but the EPA is more interested in political games than the costs to New York drivers."

Connecticut's attorney general, Richard Blumenthal, said the order was a "gargantuan gift to the ethanol industry."

Sen. Dianne Feinstein, D-Calif., said her state's gasoline is formulated to a higher standard than required by the Clean Air Act before ethanol is mixed in. She said some research shows that ethanol even contributes to summer smog. "The scientific evidence linking ethanol blended gasoline with air pollution continues to mount," Feinstein said. "Yet the EPA continues to resist taking the right action."

The EPA in 2001 rejected California's request for a waiver. A federal appeals court ordered the Bush administration to reconsider the decision.

The American Farm Bureau Federation, a trade group, said the decisions benefits everyone, not just farmers and ranchers. "Ethanol burns cleaner, is lower cost and contains a renewable fuels component," said Bob Stallman, the federation's president. Ethanol or MTBE gasoline blends have been in use since 1995. Currently they are in use in 17 states and the District of Columbia.

In April, the House passed an energy bill that would eliminate the 2 percent oxygenate requirement.

World Scientists Say Humans Causing Global Warming

June 08, 2005 — By Jeremy Lovell, Reuters

Scientists, including from the United States and China, threw down the gauntlet to world leaders on Tuesday saying mankind was the major source of global warming and urging action, one month ahead of a G8 summit. As leaders of the Group of Eight industrial nations prepare to meet in Scotland -- with climate change and Africa at the top of the agenda -- a statement by the national science academies of 11 countries said: "It is likely that most of the warming in recent decades can be attributed to human activities. "The scientific understanding of climate change is now sufficiently clear to justify nations taking prompt action," said the statement from the science academies of the G8 nations as well as China, India and Brazil. While most scientists agree the burning of fossil fuels for transport and to generate electricity is a major contributor to potentially catastrophic climate change, the United States under President George W. Bush is unconvinced.

British Prime Minister Tony Blair has made tackling global warming, with its rising sea levels, increases in droughts and floods and threats to the lives of millions of the world's poorest people, a key goal of his 2005 presidency of the G8. "It is clear that world leaders, including the G8, can no longer use uncertainty about aspects of climate change as an excuse for not taking urgent action to cut greenhouse gas emissions," said Lord May, head of Britain's Royal Society national science academy. He called U.S. policy "misguided" and noted that crucial to the international acceptance of the statement was the fact that leading scientists from three of the world's biggest developing world emitters China, India and Brazil had also signed it.

SILENCE ON TARGETS

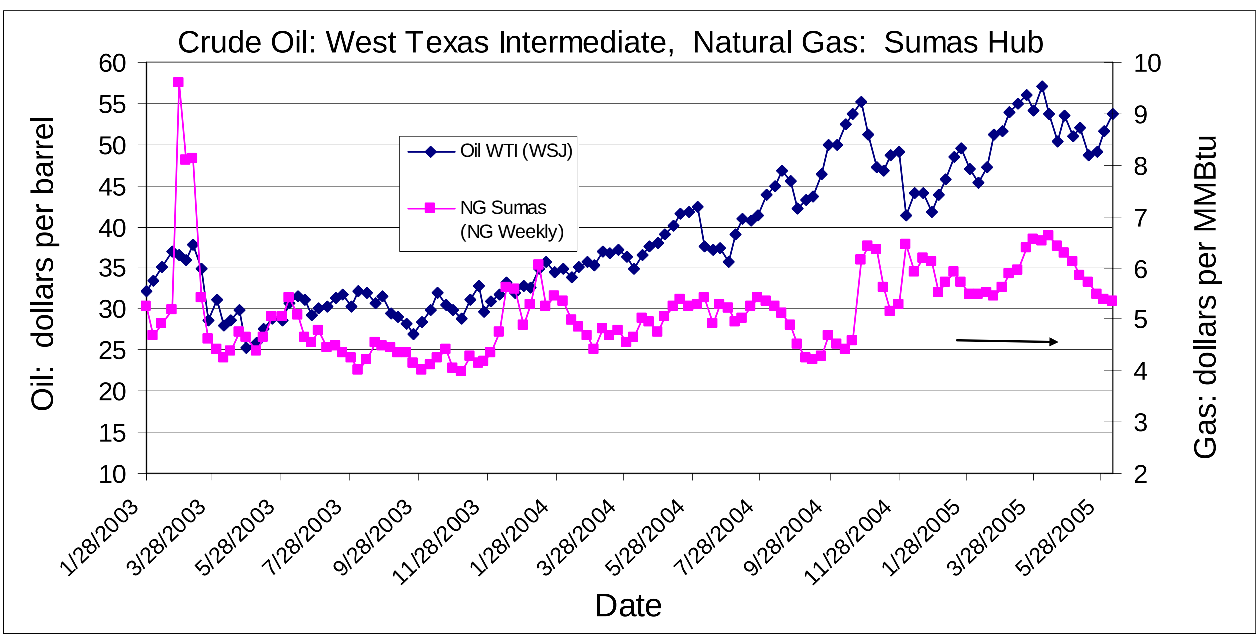
Blair has called for global action to cut emissions of so-called greenhouse gases like carbon dioxide and insisted on a program of action to emerge from the G8 summit at Gleneagles, some 65 km (40 miles) from Edinburgh, on July 6-8. But a leaked draft last month of the climate change declaration due from the summit was silent on the science and contained neither targets nor timetables.

The national science academies likewise avoided talk of targets, calling instead for "cost-effective steps" to cut greenhouse gas emissions and noting that any delays would increase the problems and therefore the costs. But they also noted the potentially devastating impact of global warming on the poorest nations which lacked the money or infrastructure to cope with anticipated crop failures and water shortages, and called for international action to help.

Environment group Friends of the Earth welcomed the increased pressure the science statement would put on the G8 leaders but lamented the lack of concrete goals. "G8 countries must accept their historic responsibility in creating the problem, and show genuine leadership through annual reductions in emissions," campaigner Catherine Pearce said. "It is crucial that the entire world -- including the United States -- recognizes that there is a window of opportunity to avert potentially catastrophic climate change. Emissions must peak and decline within the next decade. The world must act now before it is too late," she added.

State Energy Price Summary

Most energy prices increased last week, with crude oil and natural gas spot market prices up by about 5 percent. Average retail gasoline and diesel prices have begun to rise nationally as summer transportation demand begins to exert pressure, but prices edged downward a bit locally. A hotter than normal summer is expected to lead to increased electricity demand for air conditioning and cause natural gas demand and prices to be higher during July through September. Spot electricity prices on the Mid-C trading hub continued to recover from the lows in mid May.



Weekly Energy Status Report

1. Northwest Power Pool Status (WA, OR, ID, MT, WY, UT, No. NV, BC, AB)

- Power Pool peak load (6/14): 42,967 MW
- Reserve margins were within comfortable ranges for Northwest Power Pool utilities.

2. Electricity, Petroleum and Natural Gas Prices

- Weekly Range at Mid-C: $28 - 39 per MWh, Ave. = $33.3
- Approximate change from previous week $ +0.4 per MWh
- "Normal" price range, before 5/00 $20-$40 per MWh
- Petroleum, West Texas Intermediate: $55.01 per barrel (year ago: $37.55)
- Seattle gasoline price (6/14) $2.31 per gallon (year ago $2.26)
- Natural gas, Sumas Hub: $5.71 per million British Thermal Units (year ago $5.40)
- Approximate change from last week. Oil: +1.24 $ per barrel; Nat. gas: +0.36 $ per MMBtu

3. California Electricity Situation

- CA ISO Alert Status
  - July 22, 2004: Third consecutive day of record electricity use.
  - A stage 1 alert, due to an unexpected heat wave, was declared on Mar. 31, 2004.
  - 20 minute outage in So. Cal. on March 8, 2004 due to operator error.
  - Most recent rotating blackouts: Tuesday, May 8, 2001

4. Energy News Headlines from around the Nation

- BPA should lower, not raise, Northwest power rates (Seattle Times, June 9)
- $2.2 billion to settle Enron suit (Seattle Times, June 15)
- Exxon chief makes cold calculation on global warming (WSJ, June 14)
- US mayors agree to adhere to Kyoto pact (Associated Press, June 12)
- Emissions regulations could stall energy bill (NYT June 15)

5. River and Snow Pack Information (Updated: May 25, 2005)

- Observed May. stream flow at The Dalles: 82.0% of average,
- Observed May precipitation above The Dalles: 150% of average,
- Snow pack as % of average May 2005: 67%.
- Forecast Jan.-July 2005 runoff at The Dalles: 75 MAF, 70% of normal,
- Federal hydropower generation in May: 10,121 aMW, 1995-2002 average: 10,338 aMW.

6. Energy Conservation Achievement (Updated: Feb. 11, 2004)

- State Agencies: From Oct thru Dec 2003 electrical usage was 9% less and natural gas usage was 21.3% less compared to the same period in 2000.

7. Power Exchanged: (Updated: June 14, 2005)

- Average flow of power during the last 30 days
  - California (exported to) 3,293 MW
  - Canada (exported to) 787 MW
  - Net power export: 4,080 MW

BPA should lower, not raise, Northwest power rates

By Tom Casey and Terry Hunt
Special to The Seattle Times, June 9

Pacific Northwest residents, farmers and businesses need relief from record high electrical rates — and they need it now. But the Bonneville Power Administration, which provides nearly half of the region's energy, is proposing to increase power rates instead of decreasing them during the next rate period, starting in October 2006.

This is clearly unacceptable — and we're not going to just sit by and watch it happen.

The Washington State Grange, which was behind the citizens' initiative in 1930 that allowed formation of public utility districts, agrees with Grays Harbor PUD that it is time again to fight for low-cost power for all citizens of Washington state.

Everyone who uses electricity — small and large businesses, farmers, schools, individual homeowners — is feeling the financial strain of paying bills that are 50-percent higher than they were five years ago. The Aberdeen School District, for instance, saw its power rates increase by a dramatic 69 percent, or $175,000, from 2001 to 2004. Needless to say, local revenues in this economically depressed part of the state did not keep pace.

Meanwhile, public utility districts across the region have laid off employees, reduced operating reserves to all-time lows, and done everything possible to minimize the financial impact on our customers of five years of record-high electrical bills.

All along, public utilities and our customers trusted that during the next rate period, BPA would provide serious relief by reducing rates to historical levels more in the range of the pre-2001 level of $23 a megawatt hour.

After all, the California energy crisis is firmly behind us. The costly power contracts BPA signed five years ago are set to expire. BPA has more than $800 million in cash. It has not missed a single federal treasury payment in spite of five poor water years in a row.

In fact, public-utility customers not only should receive a substantial decrease in their electrical rates, they have earned one. For the upcoming three-year rate period, public utilities throughout the region have made it clear that we believe BPA can operate successfully with a budget based upon a power rate of no greater than $27 per megawatt hour.

But instead of reducing our rates, BPA is proposing to possibly increase them by 25 percent from today's $31 per megawatt hour to $39 per megawatt hour or more.

If such an increase is instituted, it will strike a major blow to a Northwest economy still in recovery. Based on recent estimates by Snohomish County Public Utility District consultants, higher rates could cost the Northwest 30,000 to 60,000 jobs and the loss of tens of millions of dollars in federal, state and local tax revenue.

We believe the $27 per megawatt hour rate target is completely within BPA's reach. For BPA to imply that the next three-year rate period could or would be more volatile than the past five years is extremely difficult to understand.

First, the energy market is much more stable and predictable than it was in 2000-2001.

Second, there is no reason to expect BPA will again have to purchase power at exorbitantly high rates as it has committed never again to sell more power than it can generate.

Third, BPA can simply do what every public utility has done: cut its costs.

Regrettably, we have received no indication from BPA that it plans to rein in its program costs, let alone listen to customers on how the agency can attain the $27 per megawatt hour rate target.

BPA has just finished its so-called Power Function Review, an informal process it devised in response to customers wanting "meaningful opportunities to examine, understand and provide input on the cost projections that will form the basis for the FY 2007 wholesale power case."

Customers applauded the opportunity to participate in the process. We believed BPA would make an honest effort to achieve regional consensus for its various program funding levels and truthfully consider the input offered by its customers on how to attain lower rates.

Once again, however, our trust was misplaced. What we thought would be a dialogue was really a monologue.

BPA did open up its budget process — and that's an important and necessary first step. But transparency by itself is not enough. Customers went in looking for more than a mere understanding of BPA's initial thoughts on program costs. We expected to use the process to help forge a regional consensus and support for BPA's program levels. We were looking for results in the form of lower rates and the chance to play an active role in shaping BPA's budget. Instead, we ended up engaging in a mind-numbing and pointless numbers exercise.

For BPA, the next step in setting the price of power is to initiate the formal FY 2007-2009 power-rate-case initial proposal. Its proposed rates will be issued this fall, with a series of public hearings to follow.

Now is the time for ratepayers to speak up. We need to tell BPA to set a budget based upon a maximum rate of $27 per megawatt hour.

Our Northwest economy has been based upon low energy rates and, in many cases, this has been our single most significant economic advantage. Tell BPA that it must consider the financial health of the region, not just its own.

Tom Casey is a Grays Harbor Public Utility District commissioner. Terry Hunt is the president of the Washington State Grange.

$2.2 billion to settle Enron suit

By Jef Feeley and Justin Baer, *Bloomberg News, Seattle Times, June15*

JPMorgan Chase agreed to pay investors $2.2 billion to resolve claims it helped Enron inflate revenue by hiding debt, in the largest fraud settlement by the company's investment bankers, the plaintiffs' lead attorney said.

JPMorgan, the third-largest U.S. bank, settled less than a week after Citigroup said it would pay $2 billion to resolve litigation sparked by the energy trader's 2001 collapse, attorney William Lerach said in an e-mailed release. Both banks were accused of helping Enron mislead investors through off-the-books partnerships. Shareholders also alleged that JPMorgan misrepresented loans as energy trades.

"Everybody wants this stuff to just go away," said Richard Bove, an analyst at Punk Ziegel & in Pinellas Park, Fla., who has a "market perform" rating on JPMorgan stock. "This is putting a cap on it, and investors will breathe a sigh of relief that this is over."

The agreement leaves Merrill Lynch, Credit Suisse First Boston (CSFB) and six other former Enron lenders facing claims in shareholders' $30 billion class-action lawsuit. Investors are seeking compensation after a plunge in shares of Enron, once the seventh-biggest U.S. corporation, erased about $67 billion from its market value in less than 16 months.

JPMorgan will take a charge of $1.25 billion to cover the cost of the settlement and boost its litigation reserves, the company said. The accord includes no admission of wrongdoing, JPMorgan said. It is subject to approval by U.S. District Judge Melinda Harmon in Houston.

The settlement is close to the company's first-quarter net income of $2.26 billion. JPMorgan Chief Executive Officer William Harrison said in July that a "significant amount" of the $2.3 billion in legal reserves added in last year's second quarter were earmarked for Enron-related litigation. The increase boosted JPMorgan's total reserves to $4.7 billion.

"We are working hard to put the uncertainty of litigation risk behind us," Harrison said.

JPMorgan in March settled allegations by WorldCom shareholders that it should have known the long-distance company was engaged in an $11 billion accounting fraud. JPMorgan agreed to pay $2 billion in the case, $630 million more than plaintiffs had sought 10 months earlier.

The WorldCom accord trimmed JPMorgan's first-quarter net income by $558 million. JPMorgan shares have fallen 4 percent in the past year, valuing the company at $125 billion.

Banks targeted by the class-action lawsuit, in addition to Merrill and CSFB, are Canadian Imperial Bank of Commerce, Barclays, Deutsche Bank, Toronto-Dominion Bank, Royal Bank of Canada and Royal Bank of Scotland.

The JPMorgan settlement brings to $4.7 billion the total amount recovered by Enron shareholders. The agreements include Lehman Brothers' for $222.5 million, Enron directors' for $168 million and Bank of America's for $69 million.

"We continue to pursue other defendants, including other banks that have been charged with knowingly participating in the scheme to defraud Enron investors," Lerach said. "Further large recoveries are anticipated."

JPMorgan and Citigroup, the world's biggest bank, agreed in July 2003 to pay a combined $255 million to settle state and federal investigations into their role in Enron's collapse. JPMorgan paid $135 million and Citibank handed over $120 million, Securities and Exchange Commission officials said.

The banks were accused of helping Enron executives inflate revenue by hiding debt in off-the-book partnerships. JPMorgan bankers also allegedly mischaracterized loans as energy trades.

Enron filed the second-largest bankruptcy in U.S. history in December 2001 after disclosing hidden debt. The company emerged from bankruptcy in November with a plan to repay creditors owed $74 billion about 20 cents on the dollar by selling its assets. The company will cease to exist once the assets are sold.

A U.S. Senate committee found in December 2002 that JPMorgan bankers helped Enron design "sham" transactions to evade taxes. Senators questioned JPMorgan officials about a loan that provided $60 million in tax benefits.

The deal cloaked a $375 million loan inside a $1.4 billion fake loan, the senators said. Enron repaid $1 billion instantly, allowing the company to write off higher interest payments for tax purposes, the committee said in its 35-page report.

In December 2002, Robert Traband, a JPMorgan vice president, told U.S. senators that, "We regret that we ever dealt with Enron" because of losses on energy trades and the harm to the bank's reputation.

"JPMorgan Chase, like many other parties, dealt with Enron in the belief that it was a respected and creditworthy company," Traband said at the time.

The next month, JPMorgan recouped as much as $654 million of losses on trades with Enron in a settlement with insurers. The bank had sued 11 insurers, including Travelers and CNA Financial's Continental Casualty, after they refused to pay $1.1 billion of surety bonds that backed energy trades JPMorgan made with Enron. The insurers claimed they were tricked into backing the loans disguised as energy trades.

Digging In

Exxon Chief Makes a Cold Calculation on Global Warming

BP and Shell Concede Ground As Raymond Funds Skeptics And Fights Emission Caps
A 'Reality Check' on Kyoto

By JEFFREY BALL, THE WALL STREET JOURNAL *June 14, 2005; Page A1*

At Exxon Mobil Corp.'s laboratories here, there isn't a solar panel or windmill in sight. About the closest Exxon's scientists get to "renewable" energy is perfecting an oil that Exxon could sell to companies operating wind turbines.

Oil giants such as BP PLC and Royal Dutch/Shell Group are trumpeting a better-safe-than-sorry approach to global warming. They accept a growing scientific consensus that fossil fuels are a main contributor to the problem and endorse the 1997 Kyoto Protocol, which caps emissions from developed nations that have ratified it. BP and Shell also have begun to invest in alternatives to fossil fuels.

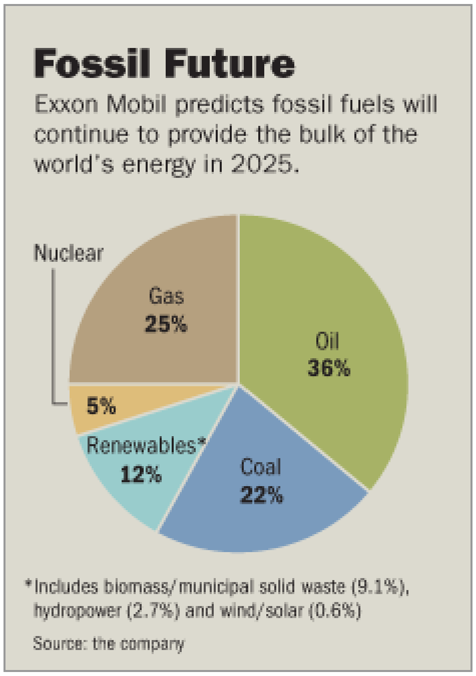
Not Exxon. Openly and unapologetically, the world's No. 1 oil company disputes the notion that fossil fuels are the main cause of global warming. Along with the Bush administration, Exxon opposes the Kyoto accord and the very idea of capping global-warming emissions. Congress is debating an energy bill that may be amended to include a cap, but the administration and Exxon say the costs would be huge and the benefits uncertain. Exxon also contributes money to think tanks and other groups that agree with its stance.

Exxon publicly predicts that solar and wind energy will continue to provide less than 1% of the world's energy supply in 2025, a subject that others shy away from. Even if fossil fuels are the chief global-warming culprit, Exxon argues, the sensible response is to figure out how to burn them more efficiently.

"We're not playing the issue. I'm not sure I can say that about others," Lee Raymond, Exxon's chairman and chief executive, said in a recent interview at Exxon headquarters in Irving, Texas. "I get this question a lot of times: 'Why don't you just go spend $50 million on solar cells? Charge it off to the public-affairs budget and just say it's like another dry hole?' The answer is: That's not the way we do things."

The 66-year-old Mr. Raymond has emerged as the tallest lightning rod in the debate over global warming. At a London oil-industry dinner in February where he was the guest of honor, Greenpeace protesters poured red wine onto tables and called Mr. Raymond the "No. 1 climate criminal." Mr. Raymond, speaking on the same day the Kyoto treaty took effect, stuck by his prepared speech and called for a "reality check" on the treaty.

Exxon's approach to global warming typifies the bottom-line focus of its entire business. It is slogging away to improve the energy efficiency of its refineries -- primarily to cut costs, although this is also shaving global-warming emissions. But it says the business case for making more sweeping changes is still weak. It's a conservative, hard-nosed approach that has helped make Exxon the most profitable oil company in the world, with 2004 net income of $25 billion.



Even at its Annandale research lab, Exxon's focus is on adapting and improving fossil fuels -- not replacing them. Its researchers are trying to make cars burn fuel more efficiently and reduce emissions. Some futurists, and the Bush administration, think cars could run on hydrogen some day. Exxon is looking into the idea but puts its research dollars into extracting hydrogen from petroleum, not from water.

A growing chorus of critics says Exxon's strategy is short-sighted. As nations crack down on global-warming emissions, they argue, the foundation of the oil business is threatened because carbon dioxide, the chief suspected global-warming gas, is produced whenever fossil fuel is burned.

"There are two possible scenarios. One is that all the scientists in the world are wrong, in which case there's no climate change, in which case Exxon will do well," says Andrew Logan of Ceres, a Boston-based environmental group that's trying to put shareholder pressure on Exxon to go greener. "But if the scientists are correct and we have to find a way to transform the way we use energy, then Exxon is going to lag significantly behind its competitors."

Exxon isn't ignoring global warming. Besides its research in New Jersey, it has pledged $100 million over a decade for research at Stanford University into what it calls breakthrough "mega-technologies." Among them: capturing carbon dioxide after it's emitted and burying it deep underground. The Stanford researchers are also looking at ways to slash the cost of renewable energy. Exxon believes that if global warming really is a significant environmental problem, the only serious answer will be simple alternatives that even developing nations such as China and India can afford.

Though Exxon is touting the size of its Stanford investment in a new ad campaign, $100 million represents less than two days of Exxon's earnings. Shell says it has spent about $1.5 billion since 1999 building a business in renewable energy, mostly solar and wind power. BP says it has spent $500 million on solar since 2000 and about $30 million on wind over the past three years. Both Shell and BP continue to invest the overwhelming majority of their money in finding and pumping oil and gas.

Their renewable-energy investments are hardly big money makers. BP says its solar business has turned a profit but not its wind business. Shell says wind makes money but not solar. Both say short-term profits aren't the point. Enough is known about the likely contribution of fossil fuels to global warming, they reason, that it's prudent to start diversifying now as a kind of insurance policy. It's "all about growing a business," says Robert Wine, a BP spokesman.

Mr. Raymond disagrees. Spending shareholders' money to diversify into businesses that aren't yet profitable -- and that aim to solve a problem his scientists believe may not be significant -- strikes the Exxon chief as a sloppy way to run a company. "If I were to ask you if you want to buy an insurance policy, you've got to ask yourself a couple questions. No. 1, what are you trying to insure against? And No. 2, what are you willing to pay on the premium? And I haven't heard a very good answer to either one of those," he says.

In the late 1970s, as oil prices skyrocketed, Exxon diversified into an array of fossil-fuel alternatives, including nuclear and solar energy. In 1983 it opened the lab here in Annandale, a sprawling brick complex with 19 acres of interior space.

But after several years, Exxon still couldn't see prospects for renewable energy turning into a money-maker, especially since oil prices were falling in the 1980s. In the mid-1980s, the company decided to get out of the business and tapped Mr. Raymond, a South Dakota native then in his 40s, to oversee the retrenchment. "I was sent to clean it all up," he recalls. "What all these people are thinking about doing, we did 20 years ago -- and spent $1 billion, in dollars of that day, to find out that none of these were economic," he says. "That's why I feel so strongly about it -- because I've been there and I've done that."

In 1988, the United Nations established a panel of scientists to study whether the science justified clamping down on greenhouse-gas emissions, so called because they are thought to create a blanket in the atmosphere that traps reflected heat from the Earth's surface just as a greenhouse locks in heat. The panel's conclusions helped spawn the Kyoto treaty.

Exxon had already hired a Harvard astrophysicist named Brian Flannery in 1980 to look into global warming using mathematical models. In 1987, he was joined in the climate-science group by Haroon Kheshgi, a chemical engineer who had come to Exxon the previous year and had earlier worked at the Lawrence Livermore National Laboratory in California. Over the next several years the pair dug deeper into global-warming research and Exxon made grants to several prestigious universities, starting with the Massachusetts Institute of Technology. Mr. Flannery says he told the MIT researchers: "Embrace the uncertainty in all of this."

On Mr. Kheshgi's office wall are pictures of a climbing trip he took to a Peruvian glacier in 1987. He has also climbed glaciers in New Zealand, where he notes glaciers are receding. But he insists it's not clear that human-induced emissions are the explanation. The link is "not that simple," he says.

Messrs. Flannery and Kheshgi were among the scores of scientists who helped write the U.N. panel's latest broad assessment of climate science, published in 2001. It said atmospheric concentrations of CO_2 had jumped by 31% since the start of the industrial age and the 1990s were "very likely the warmest decade in instrumental record." Most of the observed warming of the past 50 years, it said, is "likely" the result of "human activities." Still, the panel said, models of climate change remain a work in progress. Among the remaining uncertainties it cited is to what extent "natural factors" unrelated to human activity play a role.

The Exxon scientists say they agree with much of the assessment. But they argue that policy makers often disregard the uncertainties noted in it. In 2003, Mr. Kheshgi and a University of Illinois scientist published a paper in an American Geophysical Union journal arguing that oceans, plants and soil suck up more of the carbon dioxide emitted from fossil-fuel burning than previously thought. As a result, the paper said, models that predict a big buildup of CO_2 in the atmosphere need to be rethought.

That's the kind of research Mr. Raymond, himself a chemical engineer, likes to cite. "Our view is it's yet to be shown how much of this is really related to the activities of man," he says. "The world has gone through many cycles of climate change that man had nothing to do with, because man didn't exist."

Messrs. Flannery and Kheshgi argue in their papers for more research into how the world can live with, rather than avoid, the effects of global warming. That concept, known as "adaptation," worries some environmentalists because they fear it will deflect attention from reducing fossil-fuel emissions. But it's one of the subjects that the U.N. climate-change panel has studied, and Mr. Kheshgi argues it's only prudent. "Climate change might pose serious risks," he says. "But it might not."

Even some who advocate stricter curbs on emissions profess respect for Exxon's scientific work. "These are smart guys who shoot straight. I'm generally pretty impressed that their science is above-board and serious," says David Victor, who heads an energy-policy research program at Stanford. The program receives money from BP but isn't part of Stanford's Exxon-funded program.

But most scientists take an approach to global warming that is fundamentally different from Exxon's: They choose to emphasize what is known, rather than what isn't. They believe it's clear by now that fossil-fuel emissions are warming the earth and leading to dangerous consequences -- or clear enough, anyway, that it's more prudent to act than to wait until the science is airtight.

Last week representatives of scientific societies from 11 countries, including the National Academy of Sciences in the U.S., released an open letter saying global warming is prompting changes "such as rising sea levels, retreating glaciers, and changes to many physical and biological systems." The letter said humans are likely to blame and called the science "sufficiently clear to justify nations taking prompt action."

What particularly riles the green movement is Exxon's funding of several groups that continue to argue that the science doesn't justify caps. Among them is the Competitive Enterprise Institute, which received a total of $465,000 in 2003 from Exxon and the company's charitable foundation, according to a corporate-giving report that Exxon posts on its Web site.

The antiregulatory Washington think tank has long opposed calls for a cap. Last week, one of its senior fellows, Iain Murray, wrote a column on a Web site calling the recent letter by the science academies an example of "climate alarmism" that has "needlessly thrown away the academies' reputations for unbiased information."

Several years ago, the institute filed a lawsuit against the Clinton administration challenging a report the administration had released highlighting concerns about global warming. Oklahoma Republican Sen. James Inhofe also was among the parties to the suit. Sen. Inhofe has called the idea that fossil fuels are contributing to global warming a "hoax."

What does Exxon's Mr. Flannery think about that? "If they're expressing a view that there's no risk that needs to be addressed, then yes, we would disagree with that," he says.

For his part, Mr. Raymond downplays the importance of the money Exxon spends on groups that talk up doubts about climate science and climate caps. "The facts are you don't have to spend a lot of money to aggravate the proponents," he says. But he doesn't apologize for Exxon's role in keeping the debate alive.

"We think we have a responsibility," he says. "If we think people are about to make some bad policy decisions that are going to have a big impact for a long period of time, somebody's got to say something."

U.S. Mayors Agree to Adhere to Kyoto Pact

June 14, 2005 — By Dan Caterinicchia, Associated Press

The U.S. Conference of Mayors unanimously passed a resolution Monday requiring their cities to try to meet or surpass emissions standards set by the Kyoto Protocol, the international global-warming treaty ratified earlier this year without the United States.

The resolution also urges federal and state governments to meet or beat the goal of reducing global warming pollution levels to 7 percent below 1990 levels by 2012.

The cities' efforts will include reducing dependence on fossil fuels by accelerating development of fuel-efficient technologies such as wind and solar energy, efficient motor vehicles and biofuels.

President Bush opposes the 1997 Kyoto Protocol and the U.S. administration questions the certainty of scientists' views that "greenhouse gases" such as carbon dioxide are causing temperatures to rise. U.S. officials also argue the Kyoto requirements would increase energy prices and cost millions of U.S. jobs.

Seattle Mayor Greg Nickels, who sponsored the mayoral agreement and was in Chicago for the conference meeting, welcomed Monday's resolution.

"We're very pleased. ... Today is our first endorsement from a major organization," he said.

Emissions Regulations Could Stall Energy Bill

By CARL HULSE, June 15, 2005, NYT

Hoping to break a long legislative deadlock over energy issues, the Senate on Tuesday returned to a broad power proposal stuffed with the same politically combustible issues that have derailed past legislation - including fuel consumption, industry benefits, oil and gas drilling and pollution.

Now, with President Bush pressing Congress to deliver an energy bill this summer, the Senate is adding yet another contentious issue to the mix: global warming.

Lawmakers say the Senate could consider as many as three competing initiatives intended to reduce emissions of gases believed to contribute to climate change, a sign of heightened Congressional interest in an issue that was largely sidestepped during the fruitless energy bill debate two years ago.

Approval of any emissions plan could significantly complicate efforts to reach a compromise with the House, where architects of a bill approved in April strongly oppose new federal requirements to cut so-called greenhouse gases. But that is just one potential sticking point.

Lawmakers will also have to resolve an impasse over a House-approved plan to provide manufacturers of the gasoline additive MTBE with some protection from product liability suits arising out of water pollution. The Senate, where there is deep opposition to that idea, is expected to provide no such immunity.

While the ultimate fate of the measure may hinge on the ability of the House and Senate to resolve their differences, Senate authors must first steer their measure to passage.

"Remember, we are in the United States Senate, where senators have a chance to work their will, where there's a myriad of ideas about how America should move through this very, very difficult time," said Senator Pete V. Domenici, Republican of New Mexico and chairman of the Energy and Natural Resources Committee.

After Democrats complained in 2003 that they were shut out of writing the energy legislation, Mr. Domenici took a more bipartisan approach this year. He and Senator Jeff Bingaman of New Mexico, the senior Democrat on the energy panel, produced a bill that was sent to the floor with strong backing from both parties.

But Democrats say they will push to make the measure more to their liking. Trying to stake out territory on issues that often cut more along geographic lines than political lines, Democratic lawmakers intend to offer an amendment that would seek a 40 percent reduction in the nation's reliance on imported oil within 20 years.

"It is time that the Senate give a message that they believe that energy independence is an important criteria," said Senator Maria Cantwell, Democrat of Washington and a chief sponsor of the amendment.

The Senate measure calls on the president to take steps to reduce United States oil consumption by one million barrels a day within 10 years, but critics say the provision is weak and unenforceable. Democrats also intend to use the energy bill to increase automotive fuel efficiency standards as a way to cut consumption, though past efforts have failed.

The White House on Tuesday endorsed the Senate proposal, calling it "largely consistent" with Mr. Bush's own energy goals. But the administration said that it was not convinced of the need for any climate change provisions and that it would oppose a plan by Mr. Bingaman to require utilities to increase their use of renewable fuels

Over all, the measure could cost up to $36 billion over 10 years if all the projects were ultimately approved. On Thursday the Senate Finance Committee is expected to consider tax provisions that would add about $16 billion to the price tag, including tax credits for energy efficiency and hybrid vehicles estimated at more than $5 billion - 10 times the level of the House bill. The White House wants only $6.7 billion in tax incentives.

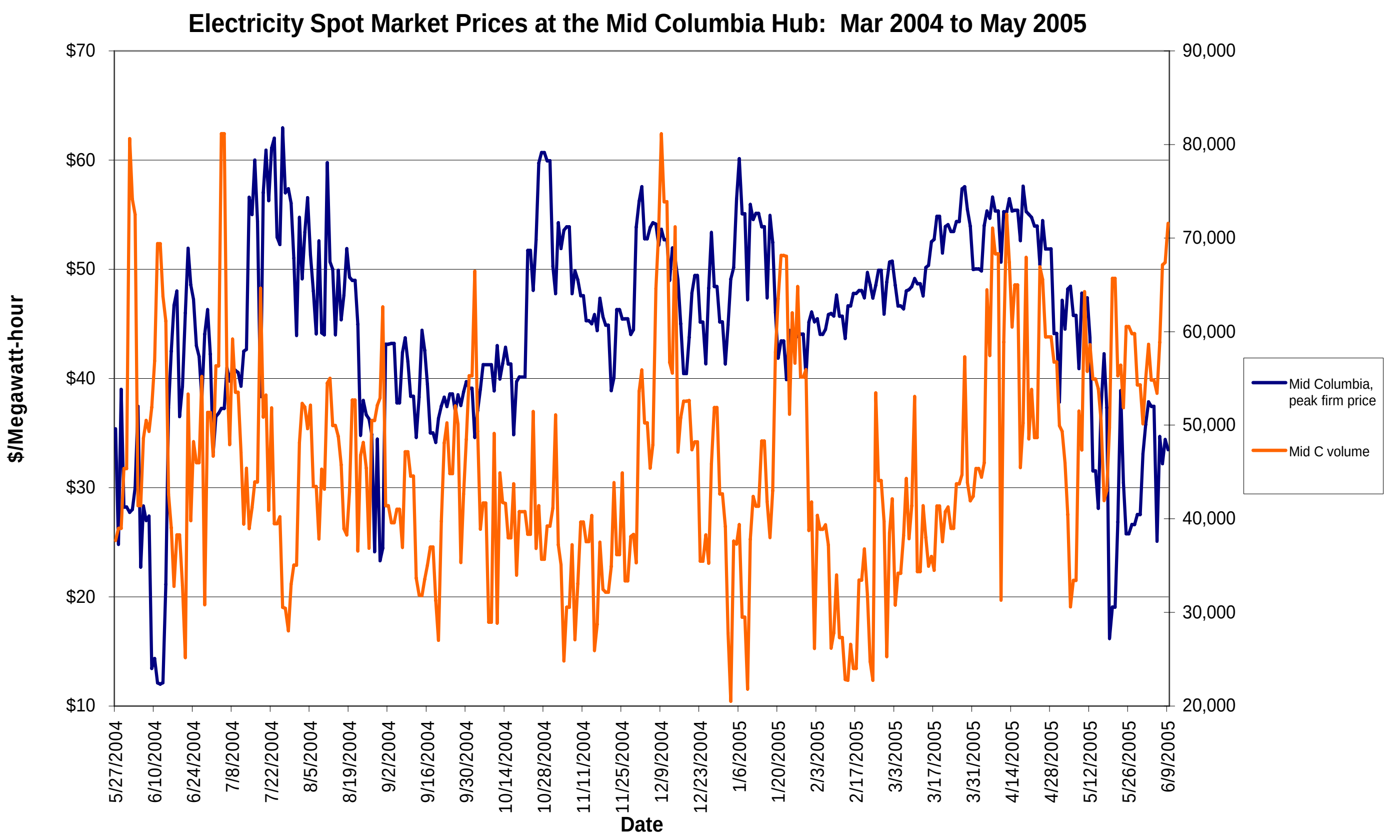
Leaders of the Washington environmental lobby say that they consider the Senate bill an improvement over the House measure but that neither takes the steps necessary to solve America's energy problems while the Senate measure could open the door to a push for new nuclear power plants.

Among other divisive issues is a proposal to give the federal government new power to force communities to allow terminals for the importation of liquefied natural gas, an idea opposed by many state and local officials.

The Senate has dodged one issue that has vexed past energy bills - the prospect of drilling in the Arctic National Wildlife Refuge - by addressing the drilling through a budget bill. The Senate bill does call for an inventory of offshore oil and gas resources, and on Tuesday, Florida senators threatened to filibuster the measure if it encouraged drilling off the Gulf Coast.

State Energy Price Summary

Energy prices increased last week, with crude oil above $55/barrel and natural gas above $7 per Mcf on the spot markets: up by about 5 percent. While supplies appear adequate for June – August, concern about meeting petroleum and natural gas demand in the 4th quarter of the year has driven up spot and futures market prices. Average retail gasoline and diesel prices continued to rise nationally as summer transportation demand begins to exert pressure, but prices were stable in the Northwest. Spot electricity prices on the Mid-C trading hub inched up a bit to $33.3/megawatt-hour (weekly average).



Weekly Energy Status Report

1. Northwest Power Pool Status (WA, OR, ID, MT, WY, UT, No. NV, BC, AB)

- Power Pool peak load (6/21): 46,830 MW
- Reserve margins were within comfortable ranges for Northwest Power Pool utilities.

2. Electricity, Petroleum and Natural Gas Prices

- Weekly Range at Mid-C: $35 – 45.5 per MWh, Ave. = $39.7
- Approximate change from previous week $ +6.6 per MWh
- "Normal" price range, before 5/00 $20-$40 per MWh
- Petroleum, West Texas Intermediate: $58.90 per barrel (year ago: $41.40)
- Seattle gasoline price (6/21) $2.31 per gallon (year ago $2.21)
- Natural gas, Sumas Hub: $5.94 per million British Thermal Units (year ago $5.43)
- Approximate change from last week. Oil: +3.89 $ per barrel; Nat. gas: +0.23 $ per MMBtu

3. California Electricity Situation

- CA ISO Alert Status
  - Sept 9, 2004: Another record day of electricity use.
  - A stage 1 alert, due to an unexpected heat wave, was declared on Mar. 31, 2004.
  - 20 minute outage in So. Cal. on March 8, 2004 due to operator error.

4. Energy News Headlines from around the Nation

- Senate calls for more renewable energy (NYT, June 16)
- Over a barrel: México's oil giant struggles (WSJ, June 15)
- Inslee and his ambitious energy measure (Seattle PI, June 21)
- Senator is running against the wind (WSJ, June 21)
- Oil& coal lobbyist mount attack on senate plan (WSJ June 21)
- Senate approves tally of offshore oil and gas (LA Times, June 21)

5. River and Snow Pack Information (Updated: May 25, 2005)

- Observed May. stream flow at The Dalles: 82.0% of average,
- Observed May precipitation above The Dalles: 150% of average,
- Snow pack as % of average May 2005: 67%.
- Forecast Jan.-July 2005 runoff at The Dalles: 75 MAF, 70% of normal,
- Federal hydropower generation in May: 10,121 aMW, 1995-2002 average: 10,338 aMW.

6. Energy Conservation Achievement (Updated: Feb. 11, 2004)

- State Agencies: From Oct thru Dec 2003 electrical usage was 9% less and natural gas usage was 21.3% less compared to the same period in 2000.

7. Power Exchanged: (Updated: June 21, 2005)

- Average flow of power during the last 30 days
  - California (exported to) 3,187 MW
  - Canada (exported to) 551 MW
  - Net power export: 3,738 MW

Senate Calls for More Renewable Energy

By CARL HULSE NYT June 16, 2005

The Senate voted today to require power companies to use more renewable energy such as wind and solar power to generate electricity, putting its emerging energy measure on a collision course with a House plan that favors traditional fossil fuels. The White House opposes the Senate approach as well.

Despite objections that the new requirements would prove costly and disrupt utilities in regions where alternative energy is less available, the Senate voted by 52 to 48 to force utilities to generate at least 10 percent of their power through renewable resources by 2020.

At the same time, the Senate Finance Committee approved a $14 billion package of energy tax incentives with an emphasis on tax credits not only for producers of wind and for owners of hybrid cars but also for companies that can convert animal waste into a power source.

The approval of the rules on alternative fuels sought by Democrats increases chances that the energy measure will clear the Senate, where some lawmakers contend that the legislation does too little to reduce the nation's dependence on foreign sources of oil.

The Senate also rejected, by 53-to-47 vote, a proposal to set a goal in the bill of cutting oil imports by 40 percent within 20 years.

Backers of the utility plan, known as the renewable portfolio standard, say it is an important step toward making the country more energy self-sufficient. Estimates are that about 2 percent of the nation's power is currently produced with renewable fuels. It was approved by the Senate in previous energy debates, but was stripped out in negotiations with the House, one of the reasons the bill has stalled in the Senate.

Opponents of the proposal said it would drive up electricity costs and was a federal intrusion into a policy area where states have been setting their own rules. "It imposes a one-size-fits-all mandate on the whole country," said Senator Saxby Chambliss, Republican of Georgia.

The Republicans were also dismissive of the amendment to curb oil imports, calling it a pie-in-the-sky plan that would upend the nation's transportation system. "I envisioned everybody this summer or next year traveling with their little Segways - two or three piled on each one - going out to the Nationals' games," the Senate majority leader, Bill Frist, Republican of Tennessee, said on Wednesday.

This afternoon's vote came a day after President Bush called for the nation to wean itself from foreign supplies. But he said Americans should cut their reliance by embracing energy efficiency as well as oil exploration in the Arctic National Wildlife Refuge.

He said a new emphasis on biofuels like corn-based ethanol would contribute to a reduction in imports. That idea was backed in the Senate on Wednesday, as lawmakers voted 70 to 26 to require refiners to add eight billion gallons of ethanol each year to the gasoline supply by

2012. It was one of the first significant votes on a measure expected to occupy the Senate for at least the next two weeks.

"I like the idea of spending money on research to make ethanol more feasible, so that some day an American president says, 'Show me the crop report' as opposed to, 'How many barrels of crude oil are we importing?' " Mr. Bush said in the speech, at a forum on energy efficiency.

The White House, however, opposes a Republican-backed provision in the energy bill that would encourage the president to reduce oil consumption by one million barrels a day within 10 years, illustrating how diverse views on handling the nation's energy problems are complicating agreement on an overall bill.

Democrats pointed to the administration's opposition to the million-barrel reduction as evidence that Mr. Bush is not serious about lowering oil imports.

"The Bush administration is running on empty when it comes to our nation's energy policy," said Senator Richard J. Durbin of Illinois, the second-ranking Democrat. "As long as America's energy needs are tied to the interests and profits of oil cartels, we have no control over our future."

Democrats had hoped that their proposal encouraging a 40 percent reduction in imports by 2025 - a figure they say represents more than 7.5 million barrels of oil a day - would send a strong signal about the nation's intent without instituting requirements about how to reach that goal. Republican leaders said the goal could not be attained without steep increases in automotive fuel efficiency.

"It's clearly nothing that anybody could achieve," said Senator Pete V. Domenici, Republican of New Mexico and the chairman of the Energy and Natural Resources Committee.

While the Senate wrestled with the various amendments, two lawmakers issued a study by the Government Accountability Office that characterized the nation's energy policy as a vast assortment of uncoordinated programs with few clear ways to measure their effectiveness.

"The G.A.O. report shows that America's energy plan is incremental, at best, and lacks clear benchmarks with measurable targets," said Senator Robert C. Byrd, Democrat of West Virginia, who added that the nation was "treading water."

In another development related to the energy measure, Mr. Domenici said he was considering backing one of the emerging proposals intended to reduce emissions blamed for global warming. His support would be a major boost for such a plan, enhancing the chances of a climate change initiative being approved after years of rejection.

"I have certainly not made up my mind yet," said Mr. Domenici, who said he was also discussing the issue with the White House, which opposes such mandatory reductions.

The decision by senators to support the use of ethanol - a House-passed bill requires five billion gallons - came after lawmakers defeated an effort by Senator Charles E. Schumer, Democrat of New York, to reject a biofuels requirement that he said would drive up the cost of gasoline to benefit corn growers. "Like too much of this bill, this provision helps the special interest, not the public interest," Mr. Schumer said.

The Senate would like to finish the measure by the end of next week, although Mr. Domenici said that timetable might slip a bit. Mr. Bush urged Congress to move quickly.

"Summer's here, temperatures are rising, and tempers will really rise if Congress doesn't pass an energy bill," the president said.

Over a Barrel: As Mexico's Oil Giant Struggles, Its Laws Block Foreign Help.

WSJ June 15

Mexico is the birthplace of oil nationalism. In 1938, it kicked out foreign oil companies and set up a state company with the seized assets. "The oil is ours," President Lazaro Cardenas declared, and proud Mexicans donated jewelry and chickens to help compensate the foreigners. The nation still celebrates the event: In the tropical oil town of Poza Rica ("Rich Well"), a new mural in the central square shows a fat, cigar-chomping foreign capitalist abusing local oil workers until Mr. Cardenas frees them.

Today, the philosophy that created Petroleos Mexicanos threatens to ruin it. Pemex, as it is called, is running out of easy oil fields to drill, and it is barred by the Mexican constitution from tying up with foreign companies that could bring in advanced technology and help it find more oil. In natural gas, Pemex's discovery efforts have been so weak that the country must now import from the U.S. even though energy executives think Mexico's gas resources are so big that they could generate billions of dollars a year in exports if tapped. Even after big job cuts and a cleanup of corruption, the company remains among the most inefficient in the industry.

Pemex is still the world's third-biggest producer of crude oil and Latin America's largest company, with $69 billion in revenue and 142,000 employees. Thanks to high oil prices, it contributed $42 billion in taxes last year to Mexico's government coffers, one-third of total tax revenue. But the risk of a crash in oil and gas production is so high that for the first time in the company's 67-year history, Pemex's own management publicly says Mexican lawmakers must open the door to deals in Mexico with foreigners.

"We Mexicans have oil nationalism in our DNA. But unless we carry out an intelligent opening, we're going to have our backs against the wall someday and will have to sell our oil reserves," warns Luis Ramirez Corzo, who took over the company's top spot last November.

With so much cash sloshing about, Pemex was a natural font of corruption. One former union leader built a baseball park with Pemex money, made every worker buy season tickets and pocketed the gate receipts. Last month, the government's bureaucracy watchdog fined six former Pemex officials, including former Chief Executive Rogelio Montemayor, accusing them of colluding with the union to funnel $127 million in Pemex money to fund the PRI's 2000 election campaign. Mr. Montemayor and the others deny the allegations in the "Pemexgate" scandal and are appealing the fines. Even now, Pemex chiefs estimate that corruption, including theft of gasoline, costs the company more than $1 billion a year.

Pemex long acted as a kind of social-welfare agency, hiring a vast army of workers. In the mid-1990s, the company slashed its work force by almost half, but the number of unionized employees has crept up again by about 5,000 under Mr. Fox. In the town of Poza Rica, local union leader Sergio Quiroz spends much of his day dealing with job- seekers who gather outside his office. "I try to say no, but if they persist for about a year, I eventually find them a spot," he says. It takes 27 Pemex workers to operate a well versus an industry average of 10.

Now nature and time appear to be catching up with the company. Cantarell, Mexico’s largest oil field is expected to begin declining this year or next. Pemex says it can keep overall oil production at the current 3.4 million barrels a day for the next few years, but some analysts expect output to drop 20% by 2010. Pemex will have to scramble for new supplies in hard-to-reach places such as deep seabeds in the Gulf of Mexico. Absent new finds, Mexico could become a net oil importer within 10 years, Pemex says.

Oil companies around the world face a similar challenge, but Pemex is especially ill-prepared to meet it. The company has never had to develop expertise in extracting oil from tough places. While some believe it could buy technology off the shelf, Pemex says that's difficult because key technologies are considered proprietary by their owners. Besides, "we don't even know what to buy," says Carlos Morales, head of exploration and production.

Mexico's constitution, however, says the state has "inalienable" ownership of subsoil resources, which is generally interpreted to mean the state can't sell any part of those resources. By law Pemex holds a monopoly in Mexico on everything having to do with oil -- discovery, refining, transport and the final sale at the gas pump.

Even if it gets expertise, Pemex is hobbled by a shortage of investment funds stemming from the Mexican government's addiction to oil money. Since the early 1980s, Pemex has given the government 60 cents of each dollar in sales. As a result it has lost money every year since 1998. In 2004, Pemex had $69 billion in sales, $41 billion in income before taxes and duties, and a net loss of $2.7 billion. By contrast, Exxon Mobil Corp. had revenue of $298 billion, pretax income of $41 billion and net income of $25 billion.

Shorn of profits, Pemex has borrowed heavily to pay for investments and now has $44 billion in debt. It replaces about one-quarter of the oil it produces each year with new reserves, much better than before but still far below the general industry target of 100% replacement.

With capital short it misses many opportunities. Mexico's northern Burgos gas basin shares the same geology as south Texas and is roughly the same size. Yet south Texas boasts 85,000 wells and produces 3.99 billion cubic feet of gas per day, while Burgos has 5,000 wells and produces one-quarter of the Texas amount, according to Mexico's energy ministry. In the years between 1999 and 2003, when the price of natural gas in North America shot up, the U.S. drilled an average of 10,000 new wells a year and Canada 20,000. In Mexico, Pemex managed only a few hundred new wells each year.

Pemex's refining capacity is also shackled. Unable to tie up with foreign companies to build refineries on Mexican soil, Pemex sends much of its heavy crude oil to a plant in Deer Park, Texas, that it jointly owns with Royal Dutch/Shell Group. Mexico spends $4.5 billion a year on imported gasoline including gasoline from the Texas plant. In total Mexico imports $13 billion a year worth of petroleum products, compared with $21 billion in oil export revenues.

One result is high prices. Mexican motorists pay about 10% to 20% more at the pump than Americans. In Monterrey, Mexico, housewives recently took to the streets to protest residential gas prices that sometimes exceed their monthly mortgage payments.

In 2002, President Fox did succeed in pushing through one watered- down change to encourage foreign investors. It allows foreign companies to bid for broad long-term operation contracts at Mexican natural-gas fields. If a field turns out to be rich, the foreign company could earn fees from Pemex for decades as it extracts the gas. But, crucially, it can't share in the wealth from the gas itself. Spanish oil and gas company Repsol YPF accepted the terms in a bid to get a foothold in Mexico, but now faces a lawsuit by Mexican lawmakers who say the contracts violate the constitution. The case is pending, although Repsol has been able to begin work.

Other foreign companies are walking away. "We've given up on Mexico," says Gwyn Morgan, chief executive of Canada's EnCana Corp., North America's biggest producer of natural gas.

Inslee and his ambitious energy measure

By BILL VIRGIN, SEATTLE POST-INTELLIGENCER June 21

Oil is expensive, or at least it was yesterday, with crude topping $60 a barrel. It often comes from dicey corners of the globe. Its consumption can have unpleasant environmental effects.

So if we could figure out a way to use less of it, especially what we buy from others, that would be a good thing, wouldn't it?

At what price would it still be a good thing?

The House and Senate are debating energy bills that include provisions for diversifying the nation's energy portfolio, but Rep. Jay Inslee, D-Wash., has something more comprehensive in mind -- the New Apollo Energy Act.

Officially known as HR2828, the reference to Apollo in the legislation's title is a link to the culminating stage of NASA's efforts to put a man on the moon (after the Mercury and Gemini manned missions).

Just as President Kennedy challenged the United States to get to the moon by the end of the 1960s (and ahead of the Soviet Union), so today the country needs an ambitious challenge today to achieve energy self-sufficiency, according to a news release from Inslee's office accompanying the legislation's introduction.

Certainly New Apollo is ambitious if by no other measures than length and complexity -- not to mention cost. It incorporates everything from loan guarantees for clean-energy (wind, biomass, geothermal, ocean wave, solar, photovoltaic, minimal-emission coal and increased hydroelectric production at existing dams) to billions for research to tax credits for more fuel-efficient cars and planes to caps on greenhouse gases to tax incentives on the sale of alternative fuels.

Some may be inclined to look at New Apollo and endorse its backers' vision of legislation that will address vexing national security, economic and environmental questions, seize the initiative in making the United States a center of energy-efficiency technology -- and create jobs to boot.

Skeptics may be inclined to look at New Apollo and think, "oh great, another bloated piece of pork-barrel legislation that will produce a hideously expensive boondoggle for taxpayers."

There's plenty of historical precedent for New Apollo to be more the latter than the former. The House and Senate energy bills are replete with nods and sops to every geographic, industrial and issue interest with a lobbyist. Then there's the quadrennial American tradition of mollifying corn growers through ethanol subsidies (greetings, voters of Iowa!).

And then there's the legacy of the synfuels program of the Carter era, a venture that defines the very concept of boondoggle.

Inslee said New Apollo is different. In a recent interview with the Seattle Post-Intelligencer, Inslee says New Apollo relies less on specific government fiat for specific technologies and more on setting goals for oil-consumption reduction or greenhouse-gas emissions and letting the market decide on the best way to meet them.

Although New Apollo does pump billions into research and commercialization of clean-energy technologies, Inslee says the way to keep those dollars from chasing dead ends is to expect investors to put up money as well. "People have to have enough confidence in their proposal to have skin in the game," he says.

That said, Inslee says not every idea will turn out to be work. "You should not expect 100 percent success from any project involving innovation," he says. "Any step forward involves some degree" of risk and potential for failure. "You have to steel yourself a little bit to that."

The risk of not doing something, he adds, is missed opportunity. His argument: Government-mandated fuel-efficiency improvements for cars, had they continued to increase, would by today have alleviated the need for Middle Eastern oil.

The countervailing argument is that if the market is supposed to drive the push to greater fuel efficiency, won't it do that, anyway, without the benefit of a massive government program? The longer oil stays above $50 a barrel, the more automakers will want to produce hybrids or alternate-fuel vehicles, and more oil will be enticed to market.

Inslee says that won't address global warming or the dependence on Middle Eastern oil (he might have added that it's not just Middle East oil that's a concern, but imports from other trouble spots such as Nigeria and Venezuela).

But that might point to one of the major shortcomings of New Apollo -- its attempt to be everything to everybody. The original Apollo program had one specific goal in mind -- put men on the moon. New Apollo is energy policy, economic development, jobs creation, environmental regulation and tax restructuring all rolled into one (and if there's an interest left out, it won't be once Congress gets done with the bill).

Inslee contends big legislation is what's needed for such a big issue: "It's not something you can nibble on the edges."

The challenge for New Apollo's backers, then, will be to prove that what they're proposing doesn't prove even more unsatisfactory -- gorging on tables of unhealthy food, with much more left to waste, and little to show for it at the end except an uneasy bloated feeling and a huge bill.

Senator Is Running Against the Wind

Tennessee's Alexander Makes An Environmental Case Against Proposal to Boost Turbine Use

By JOHN J. FIALKA, WSJ, ***June 21, 2005***

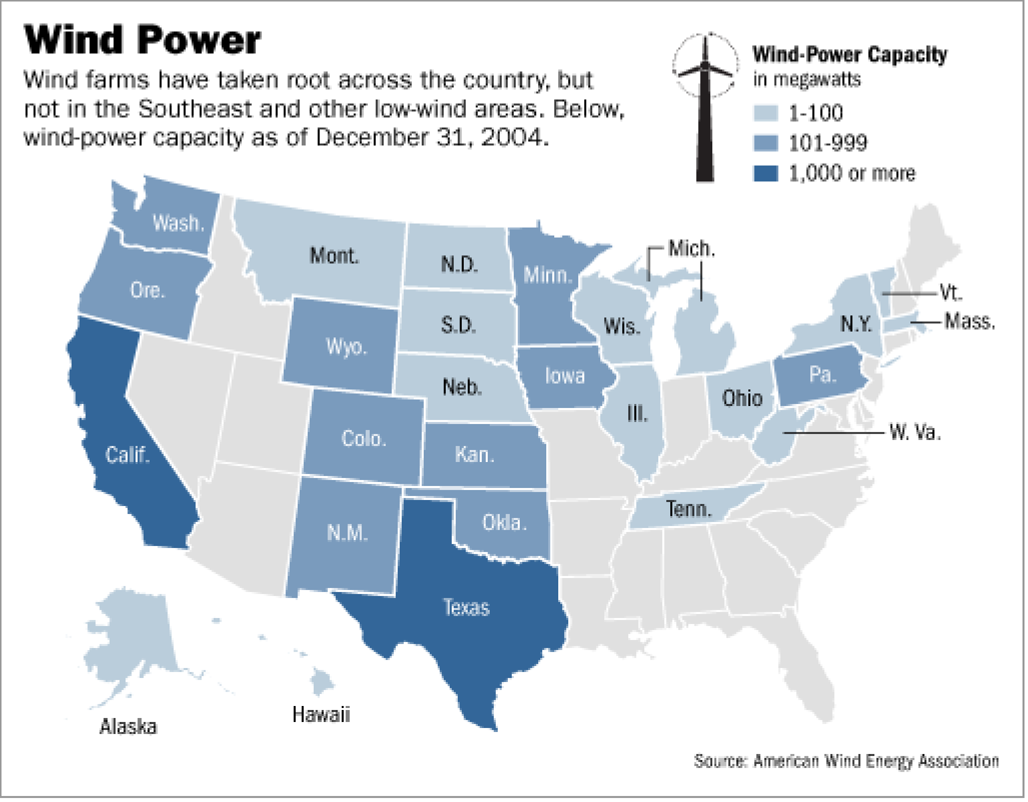
As Congress moves toward passage of an energy bill, Lamar Alexander has taken to tilting at windmills.

More and more policymakers are embracing the $7 billion wind-power industry as an environmentally friendly alternative to fossil fuels. Mr. Alexander, a Republican senator from Tennessee, says wind energy poses its own environmental threat, calling wind-powered turbines "gigantic public nuisances."

On the Senate floor last Thursday, Mr. Alexander fought a Democratic-led proposal to require utilities to produce more power from wind and other "renewable energy resources." He lost 52-48.

This week, he promises, he will be back, pushing an amendment to restrict the location of wind-turbine complexes and a plan to block a proposed $3.7 billion tax credit, most of which will subsidize wind-power producers.

Compared with other emerging renewable-energy sources in the U.S., wind power is a giant, growing about 25% each year because, with its subsidies, it is increasingly cost-competitive with natural-gas-fired power in some states. Sen. Alexander says he wants to remove wind power's subsidies before it gets bigger. "We are ruining the outdoors for no good reason," he said during an interview. "These aren't your grandmother's windmills."



That is so: A modern wind generator stands on a 300-foot tower with flashing red lights that can be seen for more than 20 miles. Its blades are 95 feet long and when the wind is blowing it can generate enough electricity to power 500 homes. Since wind comes and goes, it normally operates at about 35% of capacity.

Because it produces no pollution, wind-powered energy has been sacrosanct for three decades among Congressional lawmakers, who have provided multibillion-dollar subsidies. Though wind still produces less than 1% of the nation's electricity, environmental groups champion it as an alternative to coal and nuclear-power plants. Wind power is booming in the West and Midwest, which have ample wind, though not in areas of the nation where there is relatively little -- particularly the Southeast.

The proposal Sen. Alexander failed to stop last week establishes a "national renewable portfolio standard." It would require large utilities to generate 10% of their electricity from renewable resources by 2020, a requirement financed by a small increase in electricity rates. Energy companies that don't generate renewable power would have to buy credits from those that do, which would be an incentive to use wind, geothermal, solar and other sources.

Mr. Alexander says that would spell an environmental "disaster" for the Southeast, where strong wind exists mainly on mountaintops. In a recent speech he envisioned hundreds of turbines "with their flashing red lights atop the blue ridges of Virginia, above the Shenandoah Valley, along the foothills of the great Smoky Mountains...and down the Tennessee River Gorge." The sound of these machines, the senator said, is like "a brick wrapped in a towel tumbling in a clothes drier on a perpetual basis."

Mr. Alexander's campaign has shocked environmental groups because the moderate Republican, who ran for president in 2000 sporting outdoorsy flannel shirts, often sides with them. "Unfortunately, he has been presented with the wrong set of facts," says Katherine Kennedy, a lawyer for the Natural Resources Defense Council.

Randall Swisher, executive director of the American Wind Energy Association, says the industry's 700 companies were blindsided by Sen. Alexander's campaign, which began May 13, just before their annual meeting in Denver. Since then the group has put out a brochure saying modern wind turbines are "no noisier than a kitchen refrigerator."

The senator's vision of windmills crowding out the views also shocked officials of Aerisyn LLC, which recently set up shop in Chattanooga, Tenn. "Tennessee is one of the poorest wind states in the nation," says William Stone, Aerisyn's chief operating officer. "You just don't have the data to support any big expansion of wind turbines here." His company, which makes the steel poles that support turbine blades, plans to ship most of its products elsewhere.

One of those places will likely be Lamar, Colo., home to a wind farm. Last week Elwood Gillis, the mayor of Lamar, wrote Sen. Alexander that its citizens consider his campaign an "outrage." "The 108 towers of our wind farm have been described by visitors and residents alike as 'awe-inspiring', 'majestic' and 'stately sentinels,'" said the mayor, who added that the machines give a boost to the area's economy. Lamar (pop. 8,700), is named after Lucius Quintius Lamar, a 19th-century politician who wasn't related to the senator's family.

So far, few senators seem attracted to Mr. Alexander's campaign. Still, he has some powerful and well-heeled allies in the utility industry, particularly Southern Co., of Atlanta, which runs one of the nation's largest fleets of coal-fired power plants.

Energy Department studies suggest a renewable-portfolio standard that provides incentives to wind power might cost consumers little or nothing because electricity prices could be lowered by the resulting decline in demand for pricey natural-gas-fired power. Southern, however, says the portfolio will cost its customers $3 billion during the next 15 years -- money that would be shipped to windier states such as Colorado.

Mr. Alexander's major home-state power supplier, the federal Tennessee Valley Authority, is more enthusiastic and has started a small wind farm of its own.

Sen. Alexander says his campaign against what he calls a federal "windmill energy policy" is aimed partly to protect taxpayers, but also to preserve the beauty of America's outdoors. Mr. Alexander owns an undeveloped lot in Nantucket, Mass., near the site of a proposed 130-windmill complex on Nantucket Sound.

Some homeowners in the area say that wind farm would ruin their view. One of them -- Mr. Alexander's senate colleague, Edward Kennedy of Massachusetts -- has campaigned against the project.

Alexia Poe, a spokeswoman for Mr. Alexander, explains that he bought the lot in 2001, planning to build a retirement home. She says his opposition to windmills can't be explained, as some of Sen. Alexander's foes have suggested, by his ownership of the lot: "The senator has said he doesn't want windmills marring any landscape."

Oil, Coal Lobbyists Mount Attack On Senate Plan to Curb Emissions

By JOHN J. FIALKA THE WALL STREET JOURNAL ***June 21, 2005; Page A4***

Lobbyists for the oil and coal industries and other business groups are mounting a counterattack against a Senate proposal to impose mandatory regulations on industrial emissions of carbon dioxide and other gases that scientists say are accelerating climate change.

The proposal, scheduled to be debated today in the Senate, would require the Department of Energy to issue emission permits to companies starting in 2010 that are intended to slow growth in the use of fuels that contain carbon and other sources of greenhouse gas emissions, measured against the growth of the economy.

"We're complaining to anyone who will listen," said Luke Popovich, a vice president of the National Mining Association, which represents the coal-mining industry. He estimated the measure would require coal producers to spend $450 billion between 2010 and 2025 to buy allowances to cover emissions from burning coal.

Noting that 51% of the nation's electricity is produced by coal-fired plants, Mr. Popovich predicted that both producers and consumers of electricity will see "a nasty impact on our economy."

"The vast majority of our industry is very concerned about where this takes you," said Robert Slaughter, president of the National Petrochemical and Refiners Association, which represents oil companies. "Does this take you into energy rationing? Does this require a big bureaucratic buildup in government?"

Other groups also seemed confused by the proposal, which was suggested last year by the National Commission on Energy Policy, a private, bipartisan group. Since then it has been taken up by Democrats and some Republican moderates as a less-stringent alternative to a restriction being proposed by Senators John McCain (R., Ariz.) and Joseph I. Lieberman (D., Conn.) that would cap carbon-dioxide emissions at 2000 levels.

The United Mine Workers union, which supported the commission's initial proposal, said yesterday that it takes no position on the measure as modified by its leading proponent, Sen. Jeff Bingaman (D., N.M.). Two groups, the Environmental Defense and the Natural Resources Defense Council, also expressed skepticism. "This is not really a cap," said Fred Krupp, president of Environmental Defense. He predicted the Bingaman measure could allow greenhouse-gas emissions to rise by as much as 20% by 2019.

As petroleum prices neared $60 a barrel, Sen. Ron Wyden (D., Ore.) proposed that the Department of Energy temporarily suspend filling the nation's Strategic Petroleum Reserve. A somewhat similar provision in the House version of the energy bill would require halting purchases to fill the nearly 700-million-barrel reserve until oil drops below $40 a barrel.

Both bills, however, call for eventually expanding the reserve to one-billion barrels so it would protect the nation's economy against severe curtailments of imported oil supplies.

Senate Approves Tally of Offshore Oil and Gas Resources

By Richard Simon, LA Times, June 21

Jittery about political fallout from high gasoline prices, the Senate today endorsed an inventory of offshore oil and gas resources — a move that critics warned could be the first step toward easing the decades-old moratorium on new drilling off most of the U.S. coast.
An effort by a bipartisan group of coastal-state lawmakers to strip the inventory from an energy bill was defeated 52-44.

It is uncertain whether the inventory will survive negotiations with the House, which did not include a similar provision in its energy bill, approved in April. But lawmakers from both parties have been scrambling for ways to demonstrate that they feel the public's pain at the pump.
Indeed, the Senate took up the question of an inventory one day after crude oil prices closed at a record high of $59.37 a barrel.
The idea for an inventory gained support in the wake of a recent vote by the Virginia General Assembly to support congressional legislation that would allow states to opt out of the federal moratorium on new offshore drilling in return for a chunk of the lease proceeds paid by energy companies.
Democratic and Republican lawmakers representing coastal states, among them New Jersey, North Carolina, Florida and California, warned that the inventory could lead to undoing the federal moratorium and threaten tourism that is vital to their states' economies.
"It's the first step toward drilling," said Sen. Bill Nelson (D-Fla.) "It's the proverbial camel's nose under the tent." The moratorium, first put in place in 1982 and extended by presidential directive until 2012, applies to most coastal waters except a large part of the Gulf of Mexico.
Sen. Mary Landrieu (D-La.) said the inventory would "let the American people know what they

own...so we can make a good decision" on offshore drilling in the event of a crisis.
During the debate, Sen. Barbara Boxer (D-Calif.) brought to the Senate floor pictures depicting pristine coastlines.
"To me its almost a moral issue that we protect the beauty that we've been given," she said.
Opponents contended that conducting the inventory, which would use seismic air guns likened by Nelson to "long, submersible cannons....firing shots of compressed air into the water every 10 seconds," could harm sea life.

State Energy Price Summary

Continued speculation about winter shortages drove crude oil to record levels this week, nearly breaching the $60/barrel barrier, before settling back into the $58-59 range. Notably some analysts have stated that oil is significantly overpriced and is ripe for a significant price correction over the next 6 to 12 months. Natural gas price was also up staying well above $7 /Mcf on the east coast spot markets. Average retail gasoline and diesel prices continued to rise nationally as summer transportation demand begins to exert market pressure. Fuel prices in the Northwest have begun to creep up the least several days. Spot electricity prices on the Mid-C trading hub continued to climb, with the weekly average price up $6/megawatt-hour, as summer electricity demand in California continues to increase.